FINANCIAL TIMES

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Peres to press US for support on peace talks, Page 3

World news

Seventeen die in Greek quake

Seventeen people were killed and up to 12 were still missing after a strong earthquake hit southern Greece. About 300 people were injured and rescue workers were trying to dig survivors out of the rubble of collapsed buildings in the port town of Kalamata.

The earthquake, which registered 6.2 on the Richter scale, struck just after dark on Saturday and damaged more than 1,100 buildings.

The executive committee of the Union of Greek Public Employees postponed a strike due to start today, because of the emergency.

Iraqi diplomat killed

Iraq's deputy consul-general in Karachi, Pakistan, was killed by a car bomb in the second bomb attack on Iraqi diplomats in the city in four months. Page 3

Aquino in US

Philippine President Corazon Aquino arrives in Washington today for talks expected to focus on her country's loan repayment terms, trade, and her handling of a leftist insurgency. Page 3

Palestinian shot

An Israeli soldier shot dead a 30-year-old Palestinian woman after she stabbed another soldier guarding a biblical tomb in the occupied West Bank town of Hebron.

Supertanker hit

The French supertanker Brissac was hit in an apparent Iranian attack in the southern Gulf and later anchored off Dubai with two unexploded missiles aboard.

Anti-Pinochet march

Thousands of Spaniards, led by Deputy Prime Minister Alfonso Guerra, took part in an all-party march in Madrid against the Chilean Government of President Augusto Pinochet, who last week survived an assassination attempt.

Chain reaction

An estimated 7,000 demonstrators formed a human chain across the borders of Luxembourg, West Germany and France to protest against a new French nuclear plant at Cattenom, Luxembourg.

Ferry sinks

Rescuers retrieved 20 bodies and 50 other people were missing after a ferry sank in the River Kalabadar in southern Bangladesh.

Separatist attack

Catalan separatists said they planted a car bomb which injured three Civil Guards and a pedestrian in Barcelona, Spain, to protest at the city's candidature for the 1992 Olympic Games.

Bank bombed

An Arab revolutionary organisation claimed responsibility for a bomb attack on a branch of the British Bank of the Middle East in Christian east Beirut.

Explosion kills five

Five people were killed and 26 wounded in a bomb explosion in the arrival hall of Kimpo Airport, Seoul, South Korea, starting fears of terrorist attacks on the Asian Games starting in Seoul on Saturday. Page 3

SA schools closed

The South African Government closed 13 black schools, bringing the total closed in the last week because of student boycotts and classroom disruption to 33.

Prisoners freed

A Polish amnesty which ends today saw the freeing over the weekend of almost all political prisoners. Page 2

Chernobyl 'tomb'

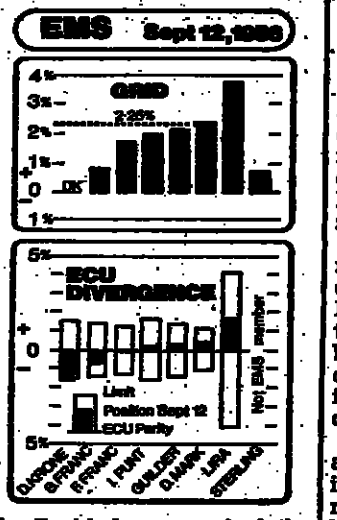
The damaged fourth reactor at the Chernobyl nuclear power station has been "entombed" in a concrete wall, said Tass Soviet news agency.

Business summary

Warning on world futures markets

A NEW warning on the need for greater co-operation in the regulation of international futures markets was made by the Bank of England. Page 20

EUROPEAN Monetary System: The D-Mark remained firm in the EMS last week, underpinned by the Bundesbank's decision not to cut its discount rate. However, pressure on the weaker currencies remained tolerable as the dollar showed a sharp recovery against the D-Mark.



The Danish krone remained the weakest currency and was still close to its Ecu divergence limit and its cross-rate floor against the D-Mark.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

JAPANESE Premier Yasuhiro Nakasone has asked officials to draw up a timetable for deregulation of financial markets, a move to defuse fresh tensions with the US Administration. Page 4

EGYPT has signed deals with foreign companies to upgrade some of its most famous hotels, including Shepheard's in Cairo. Page 4

INDONESIA, which has just devalued its rupiah by 45 per cent, fears its oil and gas export earnings could drop from $12.44bn in 1985-86 to $6.62bn. Page 3

INTERNATIONAL FINANCE, the World Bank arm that finances private sector business in developing countries, reported a 23 per cent increase to $1.2bn in new investments approved during its fiscal year ended June 30. Page 23

HILL SAMUEL, London merchant bank, is taking steps to loosen its ties with its South African subsidiaries. Page 5

UNION BANK of Finland reported a "satisfactory" result for the first half with consolidated profit, before provisions and taxes, up 17 per cent to FM 644m ($129m). Page 23

MICHELIN, French tyre group, has extended its financial recovery by lifting consolidated net income for the first half to FFr 919m ($139m) from FFr 585m a year earlier.

LIBERTY INVESTORS, top pyramid company of the South African Liberty Life group, is to acquire a Johannesburg Stock Exchange listing in November. Page 22

CAPEL-CURE MYERS, London stockbroker, is planning to capture gilt-edged business from the ring of 27 primary dealers set up by the Bank of England. Page 6

WESTERN UNION, financially ailing US telecommunications company, has been promised a $250m cash injection if control of the company is turned over to a little known investor group. Page 23

APPLE COMPUTER, US silicon valley personal computer maker, is introducing an upgraded version of its nine-year-old Apple II model. Page 23

France tightens terror laws after fresh bomb blast

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government of Mr Jacques Chirac yesterday announced a series of tough anti-terrorist measures designed to counter what it sees as a direct challenge to its authority by Arab-backed extremists.

The announcement came as a bomb exploded in a Paris cafe, seriously injuring two policemen, in an attack believed to have been carried out by the same group which planted two other bombs in Paris in the last seven days.

Almost as they struck Mr Chirac announced on radio fresh measures against terrorism, including the requirement that as from today and for a period of six months all foreigners will require visas to enter France, except EEC and Swiss citizens.

At the same time, Mr Chirac announced that the army will be drafted in to tighten control around France's borders. He said that from this morning 1,000 soldiers would be put on border patrol and hundreds of others brought in to reinforce security at airports and border crossings.

These measures were decided at an inner-Cabinet meeting on security that Mr Chirac called yesterday morning. The Government is also believed to have discussed more extreme measures such as getting the secret services to eliminate suspected terrorists.

Mr Chirac confirmed that "secret" measures had been decided but declined to name them. He said that France would make all those behind a terrorist attack "pay very dearly, interest and capital ... whoever they were and whatever their origin."

The policemen were injured when called in to inspect a suspect parcel in a cafe, the Pub Renault, off the Champs Elysées. They were apparently trying to remove the package when the bomb exploded, also badly injuring the headwaiter.

The attack is the fourth in the last week – all believed to have been carried out by the so-called "Solidarity Committee for Arab Political Prisoners." Yesterday's bomb was the same size as those used in previous attacks. The "Solidarity Committee" is seeking the release of Georges Ibrahim Abdallah and other terrorists. Abdallah is believed to be the leader of the Lebanese Armed Revolutionary Faction.

Police as yet seem to have no trace of the terrorists – giving the impression that the Government is still powerless before the fresh outbreak of violence. Adding to Mr Chirac's political discomfort, six French soldiers were also injured in the Lebanon over the weekend in a new attack by Islamic extremists against the French contingent in the UN peacekeeping force.

Mr Chirac used the opportunity of a radio interview last night to appeal for public co-operation. He asked shops, restaurants and other public places to step up their security checks on people entering their premises. He asked foreigners as well to understand the necessity of the measures.

In statements from Beirut the so-called "Solidarity Committee" said last week that they would widen "the war" against the Government. On Friday they planted a bomb in a restaurant in La Defense, wounding over 40 people, after exploding another in the Paris town hall earlier in the week.

The terrorist wave has already begun to unsettle Mr Chirac's Government, which came to power on a "law and order" platform.

Paris seems to have become the target of terrorist attacks in part because of the terrorists it is holding prisoner, and its past willingness to negotiate their release. On this occasion, however, the Government is saying more firmly that it will not release Abdallah. It is also under strong pressure from the US to keep him in prison because he is suspected of the murder of a former American military attache.

French budget to centre on public spending cuts

BY DAVID HOUSEGO IN PARIS

MR Edouard Balladur, the French Finance Minister, presents the 1987 budget to the cabinet today. Its main emphasis will be that for the first time in 28 years the Government is cutting public spending in real terms.

The squeeze on public spending – symbolic of the Government's intention to reduce the state's role in the economy – is being used to help finance cuts in taxation of FFr 27bn ($3.95bn) and a reduction in the budget deficit of FFr 15bn.

The Government has been much assisted in its budget calculations by the bonus that has come from the delayed effects of falling oil prices and a falling dollar, as well as by privatisation receipts.

With the broad outlines of the budget already known, it is clear that it will come under attack from the Socialists for favouring the well-off. Of FFr 15bn of personal tax cuts, about FFr 6bn will benefit the wealthy, notably through the abolition of wealth tax and the reduction of the marginal tax rate on personal incomes from 65-58 per cent.

The budget provides for total expenditure to rise by 1.8 per cent to FFr 1,054bn, against an anticipated inflation rate of 2 per cent. It assumes that real GDP will rise by 2.8 per cent next year after increasing by about 2.3 per cent in 1986.

Officials describe the overall macro economic effect as being broadly neutral – though Mr Balladur has in the past said it could be mildly stimulative.

The Government has been able to avoid unduly painful cuts in expenditure in part because the delayed effects of falling oil prices will boost taxed receipts through increased corporate and real personal incomes. It is also benefitting from an FFr 13bn windfall increase in revenues because economic growth this year will be higher than the 1986 budget estimates.

The Government has also been able to finance some FFr 14bn of capital endowments for industry and payments due under the 1982 nationalisation programme from privatisation receipts.

Among the major real prominent cuts in spending are the abolition of some 15,000 posts in the civil service and the reduction in aids and subsidies for industry. But business will also benefit from FFr 12bn in tax cuts.

Mr Balladur has conceded that overall next year's FFr 15bn cuts in personal taxation will be offset by the almost FFr 15bn being raised through the recently announced increase in social security contributions. Hence, he announced last week further tax cuts of FFr 10-12bn for the 1988 budget.

The combination of tax cuts and increases in social security charges means that both the highest paid and the low income brackets will be better off as a result of the budget. The total tax and social security burden for middle class households will be higher.

Expressed as a percentage of GDP, taxes and social security contributions will fall marginally next year to 45.1 per cent from an estimated 45.6 per cent this year.

At the same time, the borrowing requirement of the public administrations – the Government, the local authorities and the social security fund – will return to its 1985 level of 2.6 per cent of GDP after rising to 2.8 per cent this year.

UK faces lower wages rebuff

BY DAVID BRINDLE AND PHILIP STEPHENS IN LONDON

THE BRITISH Government faces a stinging rebuff to its call for lower pay increases tomorrow when leaders of some local authorities controlled by the opposition Labour Party are likely to offer a wage rise of more than 5.7 per cent to more than 1m manual workers, the country's biggest pay bargaining group.

Ministers see the negotiations as setting an important benchmark for the winter pay round. Last week, local authority leaders were summoned by Mr Nicholas Ridley, Environment Secretary, to be reminded of the Government's requirement for the level of pay settlements to fall in line with the drop in inflation to 2.4 per cent.

The move will make the Government's battle to hold down public spending next year to the £143.9bn ($210bn) agreed by the Cabinet last July even harder.

It now seems clear that Britain's Treasury is struggling to hold spending down to that level as ministers are faced with growing pressure to spend more on health, education and social services ahead of the general election due by June 1988.

Higher unemployment and sizeable increases in public pay have combined to put the spending limit under intense strain.

The Treasury, which is seeking to hold spending constant in real, or inflation-adjusted, terms between the current 1986-87 year and next, has conceded that it will have to reduce drastically its traditional reserve for unforeseen spending.

Bargaining between Mr John MacGregor, the Chief Secretary to the Treasury, and spending ministers could leave the reserve for 1986-87 at perhaps only half the level which has been needed to meet unexpected spending demands in the past two years.

Mr MacGregor is currently engaged in the traditional annual round of bilateral negotiations with spending ministers ahead of the announcement of public expenditure plans for the next three financial years in November's autumn statement.

In July, the Cabinet confirmed a global spending target of £143.9bn for 1987-88, but Whitehall officials say that individual bids from departments add up to some £4bn more that that figure. That is in addition to £3.4bn of extra spending which the Government has already agreed for local authorities. Failure to re-confirm the £143.9bn figure would represent a major retreat by the Treasury and an embarrassment for the Government.

The Treasury appears confident that some of the extra spending bids represent unnecessary "padding" by departments and can be cut back, particularly since inflation this year will probably turn out below the level allowed for in current plans.

Several other factors, however, including buoyant public sector pay and the continued rise in the unemployment total, point to the need for higher spending. The Department of Health and Social Security, for example, is thought to be seeking around £1bn in additional funds for 1987-88.

EEC expected to agree sanctions against Pretoria

BY QUENTIN PEEL IN BRUSSELS AND PETER BRUCE IN BONN

FOREIGN MINISTERS of the EEC are likely today to approve a limited package of economic sanctions against South Africa, after the failure of diplomatic efforts to persuade Pretoria to release its political prisoners and embark on genuine negotiations with black leaders.

Britain, West Germany and Portugal all appear to have relaxed their outright opposition to the imposition of any sanctions, although they remain unconvinced of the real effectiveness or justice of such measures.

Diplomats in Brussels believe the likely outcome of today's Foreign Ministers' meeting will be approval for a package along the lines laid down by their heads of government in The Hague last June.

That summit singled out a ban on EEC imports of coal, iron, steel and gold coins, and a bar on new investment by Community companies in South Africa, as appropriate measures, if diplomatic moves failed.

The Bonn Government is now in the uncomfortable position of holding the key to the outcome of today's talks, and may well argue for coal imports to be taken out of the package. That would provide Chancellor Helmut Kohl with the necessary gesture he needs to give his coalition partner Mr Franz-Josef Strauss, leader of the Christian Social Union (CSU) and a staunch opponent of sanctions.

Mr Hans-Dietrich Genscher, the German Foreign Minister, is understood, unlike Mr Strauss, to believe that some form of sanctions is inevitable.

Mrs Margaret Thatcher, the British Prime Minister, promised other member states of the Commonwealth in August that she would not oppose any decision of the other 11 EEC member states.

Sir Geoffrey Howe, the British Foreign Secretary, is also currently in the chair of the EEC Council of Ministers, and is therefore more constrained than usual to seek to promote a Community concensus.

Portugal is probably the most opposed to sanctions, influenced by the presence in South Africa of more than 500,000 Portuguese nationals, most of whom can vote in Portuguese elections. They might even threaten the political stability of Portugal if the South African situation deteriorated.

However, the Portuguese Government, which also has continuing links in Angola and Mozambique to consider, is unlikely to hold out alone against a consensus of the 11 other EEC members, diplomats believe.

Today's meeting has the job specifically of reviewing developments in South Africa since The Hague summit, which set a three-month deadline – expiring on September 27 – for action to be taken.

Sir Geoffrey Howe will have to report formally on his abortive mission to South Africa in July, when he had the task of persuading the South African Government to release its political prisoners, including Mr Nelson Mandela, and lift the ban on political parties like Mr Mandela's African National Congress.

The second aim of The Hague summit was to co-ordinate any measures taken by the Community with other industrialised countries like the US and Japan. Diplomats now accept that such a common front cannot be brought about immediately.

Call for retaliation over Daniloff case

BY STEWART FLEMING IN WASHINGTON

SENATOR Richard Lugar, the influential Republican who heads the Senate foreign relations committee, called yesterday for the Reagan Administration to retaliate against the Soviet Union in an effort to pressure Moscow into allowing US journalist Mr Nicholas Daniloff to return to the US.

He demanded that there should be no US/Soviet summit or discussion of a summit while Mr Daniloff is still held in the Soviet Union.

Senator Lugar also took issue with Mr John Whitehead, US Deputy Secretary of State. In an earlier televised interview Mr Whitehead said that even if the Soviet Union did not set Mr Daniloff free, next week's planned meeting between Soviet Foreign Minister Eduard Shevardnadze and US Secretary of State George Shultz should go ahead with the Daniloff case as only one of the topics on the agenda.

But Senator Lugar, while expressing confidence that Mr Shultz would stick to the firm line he has stated, said that if next week's meeting of the two foreign ministers does take place "the agenda ... should be Daniloff alone."

Continued on Page 20

Gatt's gamblers lose first round to hotelier

By Ivo Dawnay

TWO MAJOR negotiations are under way this week in Punta del Este, the modest Uruguayan holiday town that is to the South Atlantic in September what Blackpool, England, is to the northern half of the ocean in March – rain-swept, windy and near-deserted.

Almost certainly the most important talks are those of the 92 delegations and 50 government ministers meeting to discuss the future of world trade.

But running twin-track – to use the jargon of the General Agreement on Tariffs and Trade – are negotiations between Uruguayan diplomats and Senora Yolanda Merlo, formidable proprietress of the San Rafael Hotel, hub of the conference.

Mrs Merlo is believed not to be as obsessively interested in such matters as voluntary restraint agreements or rollbacks and standstills as her 1,000-odd guests. She is, however, proving to be a tough negotiator over the terms of her contract with the Government.

Much in the manner of a Blackpool landlady, Mrs Merlo is someone who knows her rights and stands by them. And when a large phalanx of the Gatt secretariat arrived two days earlier than expected, she insisted that they were contracted only to take up their rooms at 12.00 hours on September 12 – and stuck vigorously to her guns.

Infinite diplomatic guile and the whole weight of the Uruguayan foreign service failed to persuade her to change her mind.

"Sometimes the Foreign Minister himself has managed to enter a dialogue with her, but for the rest of us it is a monologue," one exasperated official revealed.

This kind of hard-headed negotiating stance, filled with learned references to contractual obligations, sub-clauses and articles, is something to which the Gatt countries are preparing to dedicate their week. And it is widely predicted that many signatories intend to follow their hostess's example when dealing with strong-arm pressure from the US.

Appropriately, the centre of this political poker game is in the San Rafael's casino, a splendid mock tudor gaming room, usually rented by the lady hotelier to the Economics Ministry on equally fiercely bargained terms.

This weekend it was clear that the stakes in both sets of negotiations are extremely high. For the free traders, the question is a clear cut issue of how to set about saving the world economy from a protec-

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Call for Gatt unity, Page 20

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Free market faith guides French Finance Minister

BY DAVID HOUSEGO IN PARIS

"FOR years the French economy has been doing less well than the rest of the world," says Mr Edouard Balladur, the French Minister of Finance who presents his first budget to the cabinet today. "But I think that the trend is now being reversed. Next year we shall achieve the average of the eight major European economies in terms of inflation and growth."

After a long period in which French finance ministers have preached austerity, Mr Balladur is the first to take the risk of bringing tidings of good joy. "There have been several signs of improvement in recent months," he says, in contrast to the gloomy picture he painted in May.

The other message that Mr Balladur brings is that the Anglo-Saxon world has failed to grasp the magnitude of the shift in France away from a state-run *dirigiste* system to a more free-market economy:

"I don't think there is an appreciation in Britain "that we have undertaken one of the most extensive and thorough-going free market programmes conceived by the western governments in recent years," he says. To support this he points to the battery of government measures over privatisation, the freeing of exchange and price controls, the cutting of public expenditure and the encouragement of labour market flexibility.

A disciple of de Gaulle, Mr Balladur speaks with that historic self-assurance of a France that has always been tempted to place its own affairs at the centre of the world's. Most foreign observers are more sceptical, believing that such claims under-estimate the initiatives of the previous Socialist administration, the ingrained habits of the French, and the changes that have also been taking place beyond France's frontiers.

As an advocate of free market politics, Mr Balladur is something of a gamekeeper turned poacher. He has spent much of his career as an eminent "servant of the state." He graduated brilliantly from France's elite Ecole Nationale d'Administration (ENA), was an adviser to Mr Georges Pompidou when the latter was Prime Minister, and then was Secretary General at the Elysee when Mr Pompidou was President—in the last year keeping from the world the news of Pompidou's final illness.

He is a moralist who values intelligence; what charmed about Mr Pompidou was his speed in dissecting a problem. He also retains a public servant's wariness of the ethics of business.

Mr Balladur: sees signs of improvement in economy

But the anarchic explosion of the student riots of May 1968 convinced him that the *dirigisme* by which post-war France had been reconstructed was no longer applicable.

He later spent 10 years in the private sector — as chairman of two subsidiaries of CGE, the electronics group. This reinforced his view that industry must take responsibility for its own affairs. "You can't have company presidents who ask the state to take decisions they should take themselves," he says.

Mr Balladur's philosophy now is that the government must reduce the taxes and social levies that have weighed heavily on French industry while giving it more freedom from administrative restraints.

But his free market *faith* is tempered, says an industrialist who knows him well, by his pragmatic instincts. He confines himself to the limits of what is possible."

Thus, ask Mr Balladur whether the Government will embark on the more far reaching reforms needed in the social or education systems, and he replies: "We are not there yet . . . we cannot do everything at once. . . . Public awareness is growing, but we do not want to stir unnecessary concern."

Mr Balladur, 57, is one of the most powerful men in the Government, with a finance ministry that spans privatisation and external trade, and with a role as deputy Prime Minister.

He carries a knowledge of the corridors of power and an air of effortless superiority, both contributing to his reputation as the "Cardinal." This intimidates both his own civil servants and ministers.

Hence the curious paradox of an authoritarian who is at the same time a liberal, and a Gaullist who is a radical.

Until he was named Finance Minister, Mr Balladur was virtually unknown to the French public. He remained in the shadows until last week when a spate of articles about him appeared in the French press and he allowed himself to be interviewed in a television programme. Although he has accommodated well to power, he seems to be uncomfortable with the public spotlight

He drew close to Mr Jacques Chirac the Prime Minister, in 1983 after helping to persaude him that "cohabitation" (with the socialist President Mitterrand) could be made to work and could provide an opportunity for bringing to an end the "sterile" political quarrels that have divided left and right in France.

He has also been influential in converting Mr Chirac to more free market views and towards closer links with the rest of Europe.

His Gaullist attachment to maintaining a social consensus comes through in the priority he gives to using privatisation to develop popular share ownership in France. "One of the evils we suffer from in France is that the capital of companies is not sufficiently widely spread," he says. He sees privatisation as an opportunity to make the French interested in part ownership in their companies and to familiarise them with the mechanisms of the market.

Mr Balladur believes peace can be maintained on the labour front. He feels wage restraint, which has been providing France with a major competitive advantage, is not endangered. "I think we can hold the line on wages," he says. "We shall continue to do so next year in the civil service and in related public sector employment. It is essential for our continuing recovery that wages rise normally and do not jump suddenly."

Even with 2.5m people unemployed, over 10 per cent of the workforce, Mr Balladur says he is not pessimistic about unemployment. He believes that industry next year will create more jobs than it destroys. And he adds that it is wrong to be fatalistic about unemployment.

"All western governments are a bit inhibited about growth," he says. "We have suffered from inflation and indebtedness, and tackling these must remain major priorities. But we must also give some drive to our economies."

He sees his Budget today as a step in that direction.

Paris asks banks for privatisation proposals

By David Housego in Paris

THE FRENCH Government expects to decide by the end of this month which French and international banks it will call in to advise it on implementing the first three privatisations.

The French Treasury sent telexes last week to 60 banks—including 12 British, 16 American, four West German and four Japanese—asking them to submit proposals by Wednesday. The short time is because the Treasury has already had discussions with most of the banks individually and thus has an idea of what they can offer.

The Treasury intends that the banks chosen as advisers for the denationalisation of Saint Gobain, the glass and engineering group, Paribas, the investment bank, and Assurances Générales de France (AGF) will be lead managers or runners-up in the banking syndicates to be put together to launch the shares

The banks are being asked to adjust their fees in the light of this and the prestige of the operation.

Mr Edouard Balladur, French Finance Minister, has said that he would like to complete one operation before the end of the year. But it is clear that the timing of the three denationalisations will depend on market conditions.

The Treasury is asking the banks to advise on:—

● Assessing the value of the groups;

● Floating their shares on the French market;

● International flotations for up to 20 per cent of the shares reserved for foreigners.

The Treasury says that banks can apply to advise on one or more of the tasks—leaving the possibility that the Government will have more than one adviser for each operation.

For the international placement, the Treasury is looking for banks which could develop a secondary market in the shares. It wants to avoid the "flow-back" effect which occurred with British Telecom when the shares marketed in the US soon found their way back to British institutions.

On the French market, it is looking for advice on developing a stable share ownership for each of the groups so as to avoid disruption to the management. All three groups already have ideas on the type of shareholding they would like.

The market capitalisation of the three groups is about FFr 50bn-55bn (£5bn-£5.5bn). But already up to 25 per cent of the shares of each are effectively in the hands of the public

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Party vote threatens Austrian coalition

BY PATRICK BLUM IN VIENNA

DR NORBERT STEGER, Austria's Vice-Chancellor, lost the leadership of the small right-wing Freedom Party at the party's congress this weekend in a move which threatens to topple the Socialist-led coalition government.

The Freedom Party elected Mr Joerg Haider, the youthful and charismatic leader of the party in the province of Carinthia and a strong critic of the coalition, as its new national leader. Mr Haider is regarded as staunchly right-wing and is viewed with deep suspicion by Socialists.

The Freedom Party is deeply split between a liberal wing led by Dr Steger and a pan-Germanist right-wing represented by Mr Haider. The conflict between the two wings has been exacerbated as the party has fared increasingly badly in the polls. Mr Haider has been waging a long campaign against Dr Steger whose leadership, he said, was threatening the party's survival.

Mr Heinrich Keller, the Socialist Party spokesman, said that in the next few days his party will be watching whether the Freedom Party intends to maintain its liberal orientation and assess whether the coalition can be maintained.

Failing an agreement with the new Freedom Party leader over the party's attitude to the coalition and over government jobs—the Freedom Party has three ministers including Dr Steger and three secretaries of state in the government—the Socialist Party will have no alternative to calling early general elections.

These could conceivably take place in November rather than in April next year when they are due. Neither party stands to gain from early elections and this may encourage compromise between them despite their political differences.

The Freedom Party, with only about 5 per cent of the vote, has been in a coalition with the Socialists since the 1983 general elections when the Socialist Party lost its absolute majority in Parliament.

GM to lift prices of 1987 cars

By William Hall in New York

GENERAL MOTORS, the world's biggest car manufacturer which recently unveiled its cheapest ever financing programme to reduce stocks, plans to increase the prices of its 1987 models by 2.6 per cent.

The price increase reflects the partial recovery of material, labour and other manufacturing costs, it said.

The price rises mean the cost of a Chevrolet four-door sedan will increase by $250 to $7,449 and the Oldsmobile Cutlass Supreme will cost $11,359, an increase of $450.

The increases follow a 3 per cent rise in GM car prices in 1986. Chrysler, the smallest of the big three US car makers, has indicated that it will raise the price of its 1987 models by less than 2 per cent.

News of GM's 1987 price increase comes only weeks after the company announced it was offering 2.9 per cent financing, or rebates of up to $1,500, in order to reduce its stock of unsold 1986 models.

Poles hope amnesty will boost Western ties

Leslie Colitt on the freeing of Warsaw's political prisoners

POLAND'S second political amnesty in two years saw the freeing at the weekend of nearly all the remaining political prisoners.

Hopes were raised that the release of the 225 political detainees would improve Poland's strained relations with Western countries.

The Warsaw Government badly needs fresh credit from the West, and the Polish leader, General Wojciech Jaruzelski, wants to visit Italy on his first state visit to a North Atlantic Treaty Organisation (Nato) country.

The US welcomed the results of the amnesty, noting that it would make possible the lifting of the remaining political and economic sanctions against Poland.

They were imposed after martial law was declared in December 1981 and the Solidarity trade union was banned.

The wide-ranging amnesty also sparked hopes it might help to heal the rift between the government and the many Poles who supported Solidarity.

A spokesman for the Polish Roman Catholic Church said the expectations and wishes of the episcopate had been fulfilled by the amnesty.

Poland's last amnesty in 1984 led to the freeing of 650 political prisoners. But many were subsequently re-arrested and sentenced for engaging in alleged anti-state activities.

The most prominent of the Solidarity underground activists released at the weekend was Mr Wladyslaw Frasyniuk who was serving a 3½-year prison term for issuing a strike call.

The Italian Government indicated earlier that if he was let out, the chances would greatly improve for a visit to Rome by Gen. Jaruzelski.

Mr Zbigniew Bujak, the imprisoned leader of underground Solidarity, was released on Friday. He had managed to elude capture for more than four years until his arrest last May.

Mr Bujak said after his release that he did not know whether underground resistance was still necessary but indicated it would not be if Solidarity was able to function openly.

Mr Lech Walesa, Solidarity's leader, expressed "great satisfaction" over the releases but added that only if the government permitted "pluralism" would there be no political prisoners in the future.

Gen Jaruzelski, in a recent interview with the Hungarian media, ruled out political pluralism in Poland but said alternative views such as those of the Church would continue to be respected.

Mr Czeslaw Kiszczak, Polish Interior Minister, said late last week after announcing the release of the political prisoners, that most of those freed would "not be partners for an understanding" in Poland.

He called the total amnesty a sign of the "stabilisation" of the political situation and a gesture towards the Church. The Polish Church had negotiated with the authorities until the very last to obtain the release of all political detainees.

Much will now depend on what role the Church will play in a recent proposal by Gen Jaruzelski for a consultative council which could include Roman Catholic laymen representing the opposition.

Several prominent Catholic laymen have said the government's offer stood little chance of being taken up unless the entire opposition could elect the persons representing it.

Even the most moderate Catholic opponents of the Government insist it must now begin a genuine dialogue with the population. A first step in this direction, they say, would be to place the Government's attempted reform of the ailing Polish economy under "social control."

Venezuela debt law

The Venezuelan Chamber of Deputies voted, as expected, to repeal the Fococam (Foreign Exchange Compensation Fund) law for private-sector foreign debt payments, signed into law only two months ago, Reuter reports.

The law would have allowed the government to issue 15-year foreign currency bonds for $6.9bn (£4.6bn) private-sector debt at 5 per cent interest rate.

OVERSEAS NEWS

Seoul bomb blast raises fears for Asian Games

A BOMB blast in the crowded arrival hall of Kimpo Airport, in Seoul, South Korea, yesterday killed five people and wounded 26, Reuter reports from Seoul.

The incident fanned fears that terrorists would try to sabotage the Asian Games starting next Saturday and police said they were investigating whether North Korea was involved in the attack.

Police said the explosion was caused by a bomb in a rubbish bin near a terminal gate. No foreigners or athletes were hurt.

Kimpo was busy over the weekend with sportsmen and officials from 28 nations flying into Seoul for the games.

The Japanese foreign ministry, quoting reports from Tokyo's embassy in Seoul, said the bomb was believed to have been detonated electronically. Witnesses said they saw three people blown through massive plate glass windows by the force of the explosion.

Within minutes a large force of anti-terrorist troops rushed to the scene and cordoned off the airport's international terminal. No arrests were reported.

For weeks South Korean authorities have expressed concern that communist North Korea, determined not to permit the propaganda victory the South would win by successfully staging the games, might try to sabotage the games. The two Koreas have remained bitter enemies since the 1950-53 Korean War.

The Government said yesterday's blast appeared to be similar to one in October 1983 in Rangoon which killed 17 South Korean officials, including four cabinet ministers, who were accompanying President Chun Doo Hwan on a visit to Burma.

Pyongyang denied involvement in the attack but Burma convicted two North Korean military officers of carrying it out.

A force of 100,000 police has been put on high alert throughout South Korea. Security around the games facilities is overwhelming, with three separate steel barriers fencing in the residents of the Athletes' Village.

Many of the 6,000 foreign sportsmen and officials expected for the Asian Games have already taken up residence in the village, including a 154-strong party from China, a staunch ally of North Korea.

In addition to the perceived threat of terrorism from North Korea or elsewhere, South Korean authorities are taking seriously threats by radical students here to send "commandos" to disrupt the games.

Iraqi envoy murdered

Iraq's deputy consul-general in Karachi was killed yesterday in the second bomb attack on Iraqi diplomats in Pakistan's biggest city in four months, Reuter reports from Karachi.

Police sair Mr Nathal Abdul Salam Abdul Latif died when a bomb exploded in his car as he drove to work in the smart Defence Housing Society suburb. Four months ago a bomb was placed under the car of another Iraqi consular official in Karachi, Mr Rashed Jassim Saeed, the Iraqi embassy said. But the device fell off and exploded harmlessly.

No claim of responsibility was received for yesterday's attack. The Iraqi embassy blamed Iran but the Iranian embassy dismissed the charge.

Aquino in bid to boost backing for economy

BY STEPHEN B. BUTLER AND SAMUEL SENOREN IN MANILA

Mrs Corazon Aquino, the Philippines President, arrives in the US today at the start of a 10-day state visit aimed at strengthening ties with the Reagan Administration and boosting support for the Philippines' flagging economy.

The visit will be Mrs Aquino's first to the US since she came to power in February following a military coup against the government of President Ferdinand Marcos supported by a popular uprising. It will be her first meeting with Mr Reagan.

She is expected to receive a thunderous public welcome in the US owing to the intense public interest surrounding her rise to power in February, and the ousting of Mr Marcos, who had been in power for 20 years.

The visit comes at a time when discord within Mrs Aquino's Cabinet has become increasingly public.

Mr Juan Ponce Enrile, the Defence Minister, has been openly critical of Mrs Aquino's conciliatory policies towards Communist insurgents, and verbal sparring matches have erupted with other ministers.

Reagan Administration officials have also recently been quoted expressing concern over Mrs Aquino's handling of the insurgency, and the issue is likely to come up when the presidents meet on Wednesday.

Communist rebels called yesterday for the military to withdraw from villages as a condition for a ceasefire and rejected any immediate truce "intended to be used as a bargaining chip" in Mrs Aquino's Washington talks.

Mrs Aquino has reached ceasefire agreements with Moslem separatist rebels on the island of Mindanao in the southern Philippines and with a group of insurgent rebel tribesmen led by a former Roman Catholic priest in the northern Cordillera mountain region.

Mrs Aquino has said in Manila however that she would be ready to explain her policies to Mr Reagan and that the Communist insurgency is a matter for Filipinos to resolve. Mr Reagan's support for the new government has been perceived as lukewarm in the Philippines.

The Philippines president is expected to address a joint session of the Congress and will also address the United Nations.

She will hold crucial meetings tomorrow with commercial bank creditors of the Philippines as well as representatives of the International Monetary Fund and World Bank, in an attempt to obtain improved terms on the Philippines' $26bn of foreign debt.

Bankers and investors will be encouraged to participate in a programme to convert some of this debt to equity.

Early last month, the Philippines reached agreement with the IMF for a package of $500m in new foreign borrowing coupled with an expansionary domestic economic programme which the Government hopes will restore economic growth by the end of this year.

The steep slide in the Philippines economy, which contracted by 10 per cent in 1984 and 1985, continued in the first half of this year, with Gross Domestic Product shrinking by another 2.23 per cent.

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Nicaragua offered loan

Nicaraguan President Daniel Ortega said yesterday that China had offered his country $20m in soft loans for foodstuffs and other items, but declined to say if military equipment was included in the deal, Reuter reports from Peking.

East European sources said they thought it unlikely that Peking would have offered any military aid.

Mr Ortega arrived on Thursday for his first visit to China since Nicaragua switched diplomatic recognition from Taipei to Peking last year.

Indonesian oil and gas income 'may be halved'

By John Murray Brown in Jakarta

THE COLLAPSE in world oil prices was behind the 45 per cent devaluation of the Indonesian rupiah, Finance Minister Mr Radius Prawiro said over the weekend.

In the most pessimistic projection to date, Mr Prawiro said oil and gas receipts, which account for 70 per cent of Indonesia's official export earnings, could fall this year to $6.62bn (£4.4bn), down from $12.44bn in fiscal 1985/6.

By increasing these revenues in rupiah terms, the devaluation, the first since 1983, will substantially relieve the current account deficit now running at an estimated $3bn, the minister said.

A World Bank report in June predicted a deficit of $5bn in fiscal 1986/7 if strong action was not taken. The devaluation announced by the country's central bank after close of business on Friday has left the rupiah trading at 1,636 against the dollar.

The likely saving on the current account could provide the spur for growth through increases in public spending at the cost of only minor increases in inflation, according to one economist.

MIDDLE EAST PEACE CONFERENCE PLAN

Peres to press for Reagan backing

BY ANDREW WHITLEY IN JERUSALEM

MR SHIMON PERES, the Israeli Prime Minister, is expected today to press President Ronald Reagan, at a meeting in Washington, to endorse the setting up of a preparatory committee for a Middle East peace conference.

Over the weekend, opposition to such a conference—agreed at last week's Alexandria summit between Mr Peres and President Hosni Mubarak of Egypt—surfaced in both Washington and Jerusalem.

In Jerusalem, the right-wing Herut Party headed by Mr Yitzhak Shamir, issued a statement saying it remained opposed to both an international conference and to withdrawal from the Israeli-occupied West Bank and Gaza Strip territories.

But with Mr Shamir due to take over from Mr Peres as Prime Minister in a month's time, the reaction of Herut and the rest of the Likud bloc has been relatively restrained.

Mr Shamir has made clear he does not consider the statements made in Alexandria by the Israeli or Egyptian leaders as binding on himself.

Mr Peres is, nevertheless, trying to convince a sceptical US Administration that going along with preparations for an international peace conference could be advantageous for US and Israeli Middle East policy.

On the critical question of participation by the Soviet Union in a preparatory committee—the idea first raised two months ago by Mr Mikhail Gorbachev, the Soviet leader—Mr Peres is sanguine that this need not come to pass.

Speaking at Ben-Gurion airport, shortly before his departure for Washington yesterday, he said he was doubtful Moscow would be able to meet Israel's two pre-conditions for participation: resumption of diplomatic relations, and the opening of the Soviet Union's doors to large-scale Jewish emigration.

The other obstacle, encountered in Alexandria during Mr Peres' talks with President Mubarak, remains that of possible Palestinian participation in the preparatory committee.

Disagreement on the subject blocked the inclusion of a formal call for the international conference in Friday's joint communiqué.

Back from Egypt, two of Mr Peres' closest aides, Mr Avraham Tamir and Mr Ezer Weizman, have expressed disappointment that "a great opportunity" had been missed by the two countries to achieve a substantive breakthrough on the Palestinian question.

President Mubarak is believed to have pressed the Israeli Prime Minister hard at least to accept the term "Palestinian national rights"—a weaker phrase than the usual "self-determination" — within the context of a Jordanian-Palestinian confederation.

But this was apparently too much for Mr Peres, keenly aware of the Likud breathing down his neck.

Rejecting Likud criticism on the proposed international conference, Mr Peres argued yesterday that he had already won approval last year from the Knesset, Israel's Parliament, for the concept.

On certain conditions, there was complete understanding between Israel and the US on the need to accompany direct peace negotiations with an international forum, the Israeli Prime Minister claimed. But he acknowledged "a great many difficulties" in the way of preparing such a conference.

Apart from discussing the Middle East peace process, Mr Peres is also expected to raise the number of economic issues during his meetings in Washington this week with US officials.

These include Israel's desire for approved access to US research and development funds and encouragement for American investment in Israel, currently very low.

By coincidence, four top Israeli Government ministers are at present on official visits to the US. Apart from the Prime Minister they are Mr Yitzhak Rabin, the Defence Minister, Mr Moshe Nissim, Finance Minister, and Mr Ariel Sharon, Industry and Trade Minister.

Mr Rabin's discussions are concentrating largely on the future of Israel's controversial Lavi fighter project, funded by the US

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Mubarak's fall predicted

Arab reaction to the Peres-Mubarak summit has, predictably been almost entirely negative, writes Tony Walker in Cairo. In Amman, the daily al-Dustour, which reflects official thinking, said: "Peres has not moved at all from the conventional Israeli position of rejecting peace based on justice and legality."

If Israel was seriously interested in peace, the paper added, it would not have attacked Palestinian refugee camps in Lebanon only hours before the summit convened.

Syria and Libya branded President Mubarak a "traitor." In Damascus, the official daily Tishrin said: Mubarak will fall . . . treason and capitulation will never have a future as long as our (Arab) nation is alive . . .

In Cairo, the semi-official al-Ahram publication warned against wasting further opportunities for peace

White House may lobby Congress to help UN

By Nancy Dunne in Washington

PRESIDENT REAGAN, a one time critic of the United Nations, is expected to urge Congress to bail that organisation out of a worsening financial crisis.

According to a report in the New York Times, the President may ask Congress to restore part of the $149m it proposes to cut from its contribution to the UN, due next month.

Under a previous agreement, the US is supposed to pay 25 per cent of the UN's budget each year. However, if proposed cuts are adopted, the American contribution would fall to 7 per cent, and the US would lag behind the Soviet Union, Japan and West Germany.

The Administration has reportedly come to value the organisation which one of its officials once invited to relocate elsewhere. It has been alarmed by threats to the UN posed by the Turkish Cypriots and the role of the peacekeeping forces in Lebanon.

According to the New York Times it is reluctant to give up the leadership role in the organisation it once scorned.

WORLD TRADE NEWS

Brussels set to move on Washington trade row

BY QUENTIN PEEL IN BRUSSELS

TEMPORARY truces in two highly-sensitive and potentially damaging trade disputes between the EEC and the US come up for ratification today and tomorrow by the Community's Ministers of Agriculture and Foreign Affairs.

Neither decision is likely to be straightforward — but any delay in endorsing the peace agreements reached by negotiators from Brussels and Washington during the summer is likely to sour their relations at a critical moment.

It coincides with the opening of the talks on a new trade round in Punta del Este, Uruguay, where both trading powers are hoping to present a reasonably co-ordinated position.

The most difficult decision is likely to be the Farm Ministers' on approving the deal to guarantee a minimum level of US sales of cereals, principally maize and sorghum, to the Community following Spanish membership last January 1.

The Ministers must sanction a system to reduce EEC levies on imports of US grains if sales fall below a monthly level of 234,000 tonnes between July and December.

Although the Ministers are not thought to oppose the deal in principle — it was sanctioned by their officials in July—there is still a squabble about which member-states will benefit from any resulting cheaper imports.

Spain argues that it should import the lion's share, as it is traditional Spanish imports which are being replaced. Italy and Greece want a promise that they will get some of the cheaper animal feedstuff.

The other deal to be ratified by Foreign Ministers is the agreement to call off hostilities relating to EEC citrus imports and US pasta imports.

Several member-states still have to make their positions clear on the agreement reached by Mr Willy de Clercq, the EEC Trade Commissioner, and Mr Clayton Yeutter, the US Trade Representative, in the middle of the August holiday.

Neither official will be around to defend it, because both are in Uruguay.

Nakasone acts on liberalisation

BY GORDON CRAM IN TOKYO

MR YASUHIRO NAKASONE, the Japanese Prime Minister, acted at the weekend to defuse fresh tensions with the Reagan Administration over deregulation of Japan's financial markets.

The move came after two days of talks last week left the US side with the view that progress had slowed to stalling point.

Mr Nakasone asked senior officials to draw up a "definite time-table" and said precise areas needed now to be identified where further liberalisation was needed.

The absence of a time-table was one of a series of complaints listed by Mr Donald Mulford, assistant US Treasury Secretary, at a Press conference in Tokyo on Friday night.

The conference was held jointly with Mr Toyoo Goyoten, the Japanese Vice-Minister of Finance for International Affairs.

Mr Nakasone's move came in reaction to criticisms made by Mr Mulford then and at the preceding talks, which addressed controls on short-term capital markets for Treasury bills, certificates of deposit and money market certificates.

The Prime Minister refrained from responding directly to the US threat that failure to progress on a related issue—freer access for US financial institutions wishing to operate in Japan—would mean Washington might narrow its own policy.

It could, Mr Mulford said, start requiring case-by-case reciprocal deals for any Japanese financial entities seeking regulatory clearance for US operations. Similar measures had been imposed by many West European governments.

But on Saturday, Mr Nakasone publicly called in Mr Goyoten and Mr Makoto Utsumi, who heads the Ministry of Finance International Bureau.

The emphasis of his instructions to the two officials appears to be on clarity in the liberalisation programme, reflecting US concern that few large-scale measures are now known to be awaiting implementation.

● Mr Nakasone also seems to have bowed to foreign pressure to stimulate Japan's economy.

The Prime Minister said at the weekend that the autumn supplementary budget should be even larger than the planned level of Y3,000bn (£9bn).

Higher government spending was necessary, he said, to offset the worsening economic and unemployment trend. The government was still trying to reach its economic growth target for fiscal 1986-87 of 4 per cent.

Gross Domestic Product grew in the April-June quarter at an annualised rate of only 3.6 per cent, and many economists believe growth has weakened since then.

Taiwan to resume talks

TAIWAN, under strong pressure from Washington to cut a huge trade surplus, will resume talks with the US later this month to discuss its exports, a senior trade official said yesterday, Reuter reports.

Mr Vincent Siew, Director of the Board of Foreign Trade, said the talks, to be held in Washington, would cover Taiwan's exports of textiles, steel products, machine tools to the US market and its rice exports to other countries.

Washington has said that unless agreement is reached it may block Taiwanese exports equal in value to the US market it believes it has been denied.

Taiwan's trade surplus with the US reached a record $8.83bn (£5.9bn) in the first eight months of 1986 compared with $6.58bn in the same period last year, according to official statistics.

Talks on imports of US cigarettes, beer and wine into Taiwan could also be re-opened after both sides failed to break a deadlock over the pricing and marketing of the US products at a meeting in Taipei early this month," Mr Siew said.

SHIPPING REPORT

Shipowners show renewed confidence

By Kevin Brown

THE renewed confidence of shipowners in the future of the tanker market was reflected in increased orders for new buildings last week, notably the $100m (£67m) order for four 145,000 tonnes deadweight Suez-Max crude carriers placed by Gotaas-Larsen of Bermuda.

Brokers said a combination of factors such as the rapidly ageing world tanker fleet, continual scrapping of older tonnage and a favourable financing outlook appeared to have persuaded owners that the time had arrived to invest.

Rates continued firmer in the dry cargo market, remaining at around $12-$12.50 a ton for grain shipments from the US Gulf to Japan in Panamax bulk carriers — 60,000-80,000 tonnes deadweight ships able to go through the Panama Canal.

Brokers said Panamax fixtures from the US north Pacific coast to Japan had reached $8.50 a ton for October and $7.50 for November. Time charter rates for Atlantic/Pacific round voyages remained at about $4,000 a day for Panamax ships.

Active area

In the tanker market, the Middle East Gulf was the most active chartering area, with inquiries for vessels of all sizes from 60,000 tonnes up to ULCCs (ultra-large crude carriers).

Brokers said rates had been maintained despite fears that the market would weaken because of the reduction in loadings from Middle East terminals.

Elsewhere, inquiries from West Africa were said virtually to have dried up, while demand for Mediterranean tonnage was intermittent.

Brokers said there was renewed confidence in continuing business from the eastetrn Mediterranean, however, and rates were expected to firm shortly.

Openings for tonnage from the North Sea terminals were said to be "fairly limited."

The firmer trend in freight rates and the improvement in the tanker market were reflected in the sale and purchase market, where the recent upturn in ship values was maintained.

UK COMPLAINT FOLLOWS FURIOUS LOBBYING

EEC probes Greek cement subsidy

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Commission has confirmed that it is investigating British complaints about unfair Greek subsidies of cement exports, and that it has raised the question with Athens "at the highest level."

The complaint to Brussels follows furious lobbying by the British cement industry, and other manufacturers in Europe, at preparations being made by Greek exporters to enter the lucrative British market.

However, Commission officials point out that Greek export subsidies can only be disallowed if there is evidence of unreasonable disruption of trade flow within the Community—and so far not a tonne of Greek cement has been sold in the British market.

The Commission is also considering a different question of whether Greek cement manufacturers, such as Heracles and Titan, the two largest, have been granted subsidised electricity costs and reduced interest rates on loans.

If that is so, as alleged by the British manufacturers, such state aids might well prove to be illegal under EEC competition law.

The Greek Government is allowed to provide some export subsidies until the end of the current year, under the terms of its balance of payments adjustment programme agreed, in return for a Ecu 1.75bn (£1.2bn) loan from Brussels, last November.

Greece was granted a further one-year delay—to next January 1—in introducing value added tax. VAT would be reimbursable for exports, and instead Athens can continue to reimburse Greek manufacturers the alternative indirect taxes they are still paying.

The implementation of Greece's balance of payments programme is currently being examined by the European Commission, before the second Ecu 875m tranche falls due for payment this November.

Officials will naturally be concerned to see that the Greek Government has abided by the terms of the loan. They say that no formal application for an extension of the VAT delay and subsidy regime has yet been received.

The specific British complaint about cement exports was raised by Commission officials with Mr Yannis Papantoniou, Greek State Secretary for Finance, at the meeting of EEC Budget Ministers last week, a Commission spokesman said.

Egypt in pacts to upgrade historic hotels

BY OUR CAIRO CORRESPONDENT

EGYPT HAS signed agreements with a number of foreign companies to upgrade some of its most famous hotels, including Shepherd's in Cairo and the Cataract at Aswan in Upper Egypt.

The agreements reflect the determination of Dr Fouad Sultan, the new Tourism Minister, to improve standards at government-owned hotels.

A Danish-owned management company has been awarded a contract to revamp Shepherd's and also Alexandria's Palestine Hotel. It plans to spend $12m (£8.1m) on the two hotels.

Under the terms of the management agreement, the Scandinavian Management Company will share profits with Egypt after the fourth year of operation. Meanwhile, it will pay a rental fee for operating these two historic hotels.

The Egyptian Hotels Company, which operates most of the country's famous hostelries, has been losing money for years.

Mr Baheiddin Nasr, newly-appointed chairman, said the company was having difficulty servicing loans amounting to some E£27m (£13.5m) to the National Investment Bank.

"We want the private sector whether foreign or Egyptian to manage all the hotels," Mr Nasr said. Many of Egypt's old hotels came under the Government's control following the 1950s nationalisation policies of President Gamal Abdel Nasser.

A contract for upgrading the Cataract Hotel has been awarded to the French Etap group which will invest about $4m on renovations and will also assume management responsibilities.

Club Mediterranean has signed a 20-year lease on the Amon Hotel in Aswan. The French leisure group plans to spend $3m. It has other establishments in Egypt — in Cairo, Luxor in Upper Egypt, and Hurghada on the Re dSea.

Egypt's tourism minister has been concerned about low occupany rates at hotels under the control of the Egyptian Hotels Company. Shepherd's, for example, has been functioning at about 30 per cent capacity.

Negotiations are proceeding with other groups on management contracts for hotels such as the Winter Palace at Luxor. Companies involved in that negotiation include Oberoi, which manages the Mena House at the Pyramids, Hyatt and Sonesta.

The El Borg and El Nil in Cairo and the Savoy at Luxor are also at present the subject of management contract negotiations.

Arianespace signs deal to launch US TV satellite

BY DAVID MARSH IN PARIS

ARIANE, the European space rocket, will launch in 1989 a TV satellite for the American RCA Home Box Office joint television venture, under an order just signed with the European space group Arianespace.

The contract marks another success by Arianespace in the all-important US market in the wake of the acute space launching problems faced this year by American rockets.

The order is to launch the Satcom K-3 satellite for beaming TV programmes for home distribution. Arianespace has also signed an optional order to launch in 1990 Satcom K-4, the next satellite in the series owned by Crimson Satellite Associates, the RCA/Home Box Office joint venture.

The Ariane rocket is grounded until the beginning of next year because of the need for design changes after its latest failure in May.

But the rocket has been able to chalk up additional international orders because of gaps in launching schedules for coming years caused by this year's string of American launching setbacks.

These led to President Reagan's decision last month no longer to use the space shuttle for commercial launching missions.

World Economic Indicators

		Aug '86	July '86	June '86	Aug '85
US	'000s	8,027	8,190	8,443	8,133
	%	6.80	6.90	7.10	7.10
		July '86	June '86	May '86	July '85
UK	'000s	3,279.6	3,229.4	3,270.9	3,235.0
	%	12.0	11.9	12.0	12.1
W. Germany	'000s	2,131.3	2,078.2	2,122.0	2,221.4
	%	7.8	7.6	7.8	8.1
France	'000s	2,316.0	2,266.0	2,317.9	2,259.2
	%	9.9	9.7	9.9	9.7
Italy	'000s	3,173.3	3,210.1	3,174.6	2,891.4
	%	13.8	14.0	13.8	12.6
Belgium	'000s	522.6	477.9	481.7	554.9
	%	12.7	11.7	11.7	13.5
Netherlands	'000s	714.0	687.2	685.8	760.8
	%	12.5	12.0	12.0	13.3
		June '86	May '86	April '86	June '85
Japan	'000s	1,610.0	1,620.0	1,820.0	1,530.0
	%	2.72	2.70	2.86	2.60

Source (except US, Japan): Eurostat

UK NEWS

Embarrassing slip delays loans for jobs

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

THE GOVERNMENT'S drive to accelerate job creation by getting the banks to lend more under its revamped Loan Guarantee Scheme has failed to take off because of what appears to be an embarrassing administrative slip-up at the Department of Employment.

The embarrassment has been deepened by the fact that Mr David Trippier, Minister for Small Business, personally put pressure on the banks during the summer in meetings with the chairmen of National Westminster, Barclays, Lloyds and Midland, when he urged them to promote the scheme.

But the banks have had difficulty doing so because the Government's leaflets explaining the fine details – a vital part of the promotion to lenders and borrowers alike – have not yet been printed.

Lending more money depends on getting copies into the hands of thousands of bank managers, as well as counsellors in enterprise agencies, accountants and small business owners on the lookout for funds.

Bankers are annoyed at the delay and have been privately questioning the Government's seriousness.

The Department of Employment said yesterday it hoped to get 250,000 copies of the leaflet out before the end of this month – almost five months after the revamped scheme became operational on May 1.

On May 12 Mr Trippier said he wanted the number of approvals under the scheme to rise to 400 a month as soon as possible. This was the peak reached three years ago when the Treasury insisted on changing the rules because of losses which questionable use of the scheme was causing the Government. The rate of take-up dropped to 45 a month.

Under the scheme the Government guarantees 70 per cent of the loans (it was originally 80 per cent) to risky new ventures, but a premium is charged to deter carefree borrowing. The premium was originally 3 percentage points above commercial rates. This was raised to 5 points but has now been dropped to 2.5.

So far 424 loan guarantees worth £16.1m have been approved under the new rules. Half have gone to new businesses and half to financing expansions.

Documents suggest Navy may cut fleet

By David Buchan

BRITAIN'S surface ship and submarine force will fall in number over the next 10 years, according to confidential internal Royal Navy documents published yesterday in the press.

The Ministry of Defence acknowledged yesterday the documents were genuine and said an inquiry would be held as to how they apparently came to be found by passers-by on the tow path beside the river Thames and then passed to the Mail on Sunday newspaper.

MoD officials stressed the papers were not centrally approved ministry documents. The main paper was a set of hand-over notes from the outgoing assistant director naval staff duties to his successor, a captain P.N. Goodwin.

The other document was described by the MoD as containing "a few ideas" about next year's (1986-87) Defence White Paper (policy document).

Ministry officials refused to comment on the substance of the documents, but apparently they show that the current number of 50 destroyers and frigates will come down to 47 in the mid 1990s, despite the government commitment to a force of "around" 50 ships.

Local authority talks seen as benchmark for pay round

BY DAVID BRINDLE

LEADERS of some Labour-controlled local authorities are prepared tomorrow to offer a wage rise of 6.7 per cent to more than 1m council manual workers.

It seems almost certain that the local authority employers will offer 6 per cent to the manual workers, Britain's biggest single pay bargaining group. But pressure has been mounting among the dominant Labour authorities to go further to £6 a week, or 6.7 per cent.

Union leaders, who have been lobbying Labour-controlled councils on the pay issue, believe there is a good chance they will get the £6 rise

Minister see the negotiations as setting an important benchmark for the winter pay round. Last week, local authority leaders were summoned by Mr Nicholas Ridley, Environment Secretary, to be reminded of the Government's requirement for the level of pay settlements to fall in line with the drop in inflation to 2.4 per cent.

Mr Kenneth Clarke, Paymaster-General, said last Friday that, taking account of tax cuts, there was no justification for any cost-of-living pay rise this winter: wage or salary increases should be based solely on better performance and higher productivity.

Last year, council manual workers won an 8.1 per cent rise. Ministers say this was subsequently cited by union negotiators throughout the public sector and beyond, leading in no small way to the underlying increase in average earnings in the economy as a whole sticking rigidly at 7.5 per cent.

Those employers opposed to offering 6.7 per cent will argue tomorrow that such a move would provoke a backlash among council white-collar staff. They accepted 6 per cent last week, backdated to July 1, but only after a national strike ballot surprised the employers with a 65 per cent turnout and a 45 per cent vote for action.

Opponents of the mooted 6.7 per cent offer will also question whether it can be afforded, pointing out that the Government is allowing in rate support grant only 3.75 per cent for inflation and pay and that some funds need to be held back for the grade re-structuring.

Sponsors may quit business expansion

BY ALICE RAWSTHORN

FOUR of the most active sponsors of the Government's Business Expansion Scheme are considering withdrawal from business expansion funds, which put together investment portfolios of companies financed by the scheme.

The investment bank Warburg Investment Management has decided to curtail its fund sponsorship. The finance houses Granville, MIM and Singer & Friedlander are all considering following suit. Earlier in the summer two of the largest fund sponsors, the venture capital concern Electra and merchant bank County, opted for withdrawal.

When the BES was introduced in 1983, the Government perceived it as a way of raising capital for young, entrepreneurial companies by offering generous tax advantages to individuals for investment in venture capital.

The scheme was intended to stimulate job creation and to boost high technology. But the BES has been subjected to abuses by investors, sponsors and companies alike

Warburgs Investment Management mounted two business expansion funds in the 1983-84 and 1984-85 taxation years. Warburgs chose not to launch a fund last year but planned to keep an open mind on whether to return to the market this year. It has now opted for withdrawal.

BASE LENDING RATES

	%		%
ABN Bank	10	Equatorial Tst Corp. plc	10
Allied Arab Bank Ltd	10	Exeter Trust Ltd	10½
Allied Dunbar & Co	10	Financial & Gen. Sec	10
Allied Irish Bank	10	First Nat. Fin. Corp	11
American Express Bk	10	First Nat. Sec. Ltd	11
Amro Bank	10	● Robert Fleming & Co	10
Henry Ansbacher	10	Robert Fraser & Ptrs	11
ANZ Banking Group	10	Grindlays Bank	‡10
Associates Cap Corp	10	● Guinness Mahon	10
Banco de Bilbao	10	● Hambros Bank	10
Bank Hapoalim	10	Heritable & Gen. Trust	10
Bank Leumi (UK)	10	● Hill Samuel	§10
Bank Credit & Comm	10	C. Hoare & Co	10
Bank of Cyprus	10	Hongkong & Shanghai	10
Bank of Ireland	10	Knowsley & Co. Ltd	10½
Bank of India	10	Lloyds Bank	10
Bank of Scotland	10	Mase Westpac Ltd	10
Banque Belge Ltd	10	Meghraj & Sons Ltd	10
Barclays Bank	10	Midland Bank	10
Benchmark Trust Ltd	10	● Morgan Grenfell	10
Beneficial Trust Ltd	11	Mount Credit Corp. Ltd	10
Berliner Bank AG	10	National Bk. of Kuwait	10
Brit. Bk. of Mid. East	10	National Girobank	10
● Brown Shipley	10	National Westminster	10
CL Bank Nederland	10	Northern Bank Ltd	10
Canada Permanent	10	Norwich Gen. Trust	10
Cayzer Ltd	10	PK Finans. Intl (UK)	10½
Cedar Holdings	11	Provincial Trust Ltd	11
● Charterhouse Bank	10	R. Raphael & Sons	10
Citibank NA	10	Roxburghe Guarantee	11
Citibank Savings	¶10.95	Royal Bank of Scotland	10
City Merchants Bank	10	Royal Trust Co. Canada	10
Clydesdale Bank	10	Standard Chartered	10
Comm. Bk. N. East	10	Trustee Savings Bank	10
Consolidated Credits	10	UDT Mortgage Express	¶10.9
Continental Trust Ltd	10	United Bank of Kuwait	10
Co-operative Bank	*10	United Mizrahi Bank	10
The Cyprus Popular Bk	10	Westpac Banking Corp	10
Duncan Lawrie	10	Whiteaway Laidlaw	10½
E. T. Trust	11	Yorkshire Bank	10

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

Mecca Leisure to offer identical pensions to men and women

BY ERIC SHORT

MECCA LEISURE, the leisure group expected to be floated on the London Stock Exchange next month, is to overthrow two centuries of actuarial practice by providing identical pensions to men and women paying the same contributions as each other in its new employee pension schemes.

Women are generally quoted lower pension rates because of their longer life expectancy. It is believed to be the furthest any company has gone toward equality of treatment for men and women in pension schemes.

Currently, the actuarial profession is bitterly disputing any moves by the Government, the Equal Opportunities Commission and the EEC to introduce unisex rates as part of the drive to end discrimination.

The new scheme starts on October 1. The management has been busily explaining it to employees

It is designed so that men and women get the same pension for the same contributions.

The scheme is revolutionary also in giving employees the right to retire at any time between the ages of 55 and 65.

The cash accumulated from the invested contributions is used by the employee to buy a pension. The scheme itself offers very competitive pension rates at the same level for men and women. There is a guaranteed minimum rate which ensures that employees get at least a pension based on 1/80 of earnings at retirement for each year of employment.

A unisex pension benefits rate would be higher than the corresponding rate for women but lower than that for men. Employees have the right to take the cash and buy an annuity from a life company quoting separate rates. Normally, it might be expected that men would go outside to get a higher pension while women stayed in the scheme.

Monetarist attacks economic policy

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

A LACK of clarity in the Government's conduct of monetary policy has been sharply criticised by Professor Patrick Minford, a leading monetarist economist at the University of Liverpool.

Prof Minford, writing in the Quarterly Economic Bulletin of the Liverpool Research Group, says that the direction of monetary policy has been clouded by officially inspired reports linking interest rates to everything from the exchange rate to the level of pay rises.

The Government's original idea of setting clear money supply targets, he says, was to create a fixed point around which expectations of future prices could be formed. Recent practices, however, had been "far from this ideal."

Quarterly Economic Bulletin, (price £85 annually for companies £25 for individuals), Department of Economic and Business Studies, University of Liverpool, PO Box 147, Liverpool L69 3BX.

Brokers to poach gilt-edged business

By Barry Riley

A MEDIUM-SIZED London stockbroking firm, Capel-Cure Myers, has announced its plans to poach gilt-edged business from the ring of 27 gilt-edged market makers, or primary dealers, set up by the Bank of England to operate the market with *effect from October 27.*

CCM aims to be the leading agency broker in gilts, offering a dealing service on a commission-paying basis to institutional clients. It will not act in any circumstances as a principal in gilts.

Brushing aside what it describes as a "frosty" reception from some of the leading market makers, the firm has attacked aspects of the new primary dealer system. "Too little attention appears to have been paid to securing a fair deal for investors in the new gilt market," it says in a new brochure entitled The Agency Broking Solution.

It also claims that the market may only be able to support a third of the number of market makers which have been authorised

Mercury to launch residential telephones before Christmas

BY DAVID THOMAS

MERCURY Communications, the sole competitor to British Telecom's main telephone network, will offer services to residential customers before Christmas through a marketing drive aimed at about 250,000 people. It also wants to set up call boxes to compete with BT's.

News of these new Mercury plans comes as Sir Eric Sharp, chairman of Cable and Wireless, Mercury's parent, attacked the Labour Party's proposals to reintegrate Mercury into BT as "a doctrinaire political gesture" which could cost a Labour administration more than £1bn.

Mercury, which so far has only business customers, intends to sign up its first residential subscribers before Christmas.

It has decided on what it calls a "controlled" approach, aimed initially at three groups: the staff of its existing business customers; Cable and Wireless shareholders; and its own staff.

Mr Gordon Owen, Mercury managing director, estimates that these three groups will add up to about 250,000 people.

He stressed that residential users would need to be fairly heavy phone users in order to gain financially from Mercury's cheaper charges, because they will have to buy a Mercury phone costing £35 and pay a yearly £7.50 fee.

Moreover, they would need to live within about 25 miles of Mercury's trunk network, which now includes London, Birmingham, Manchester, *Liverpool, Leeds and Bristol,* and is due to be extended to Glasgow and Edinburgh before the end of the year.

It is also understood that Mercury has applied to Oftel, the regulatory body, for a change in its licence to allow it to operate call boxes, though both Mercury and Oftel refused to comment on this.

If Oftel were to agree, Mercury would probably concentrate on centres of greatest public demand, such as airports and railway stations.

Oftel would need to consult other interested bodies, including probably BT, and is likely to assess the implications for the duty placed on BT to run call boxes.

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UK NEWS: SDP CONFERENCE

Owen seeks to heal split over nuclear defence

BY PETER RIDDELL, POLITICAL EDITOR

THE SOCIAL Democratic Party yesterday opened the way for a possible agreement next year with the Liberals on the contentious issue of nuclear defence, following conciliatory signals by Dr David Owen, the Social Democrats' leader, at its annual conference in Harrogate.

Following a visit with Mr David Steel, the Liberal leader, to Paris and Bonn earlier this month, Dr Owen said the parties were starting "a new emphasis in British defence policy through strengthening the European defence pillar." He said the French Government had now moved and was willing to consider co-ordination with Britain on nuclear policy.

Dr Owen's stress on a European approach offers a way out of the lengthy wrangling within and between the Alliance partners. Most Liberals oppose the retention of an independent British nuclear capability while the majority of the SDP believes that a successor to Polaris is necessary. Both parties regard it as vital that the damaging divisions on the issue are ended before the next election.

The point of contention is about what the Alliance says about a replacement to Polaris given its opposition to Trident. Earlier this summer Dr Owen clashed with other Alliance leaders in distancing himself from a report saying that a statement on the issue could be deferred.

However, on Saturday, Dr Owen partly endorsed this joint Alliance report and, in a generally harmonious two-hour debate yesterday, the SDP's ruling Council for Social Democracy pointedly did not reaffirm existing party policy but took a more flexible position. This was to allow scope for a compromise with the Liberals.

Allies of Mr Steel welcomed the result as offering the Liberal leadership a chance, but no certainty, of also maintaining a flexible position at its assembly in Eastbourne next week. However, Liberal unilateralists were last night highly sceptical about Dr Owen's behaviour.

Indeed, Dr Owen indicated over the weekend that he had not changed the substance of his views. He still believes it is politically necessary for the Alliance to say before the election what it intends to put in place of Trident after Polaris, particularly since work is well advanced in building submarines. His preference is for retaining a British controlled nuclear capability, though within a European context.

Policy on nationalised industries reserved

By Michael Cassell

THE Social Democratic Party yesterday moved decisively to ensure that it does not go into the next general election pledged to implement a programme of selective renationalisation.

The party conference in Harrogate, northern England, overturned by a large majority a decision taken in May by the ruling Council for Social Democracy to renationalise, with compensation, those privatised monopolies where competition cannot be effectively introduced.

The SDP policy committee told delegates that the earlier decision gave a general commitment to renationalisation – to include British Telecom and British Gas – which would prove disastrous electorally.

Mr Iain Wrigglesworth, the party's industry spokesman, told the conference that a decision to endorse partial renationalisation would provide powerful ammunition for their political opponents and would "go down like a lead balloon" with the electorate.

He said the SDP had called for a period of stability for British industry and that, in seeking to go down the Labour road towards a fresh round of nationalisation, the party would create further damage and uncertainty.

Peter Riddell reports on challenges facing the Alliance

Spotlight on dominant leader trying to reassure followers

DR DAVID OWEN so dominates the SDP that its conference always turns on his personality and relations with his followers. So it is again this week, not only over nuclear defence but also, equally significantly, over what happens after the next election.

Ever since he became leader in 1983 Dr Owen has faced accusations of leading from the front and not taking sufficient account of the views not only of ordinary activists but also of other party leaders.

This summer's open airing of differences between Dr Owen and the rest of the Gang of Four (especially Mrs Shirley Williams) shocked the party's rank and file. They like unity and came to Harrogate seeking reassurance. And that is what they have so far got, both publicly and in a private briefing of candidates from Mr Bill Rodgers.

Dr Owen has been careful to offer an olive branch over nuclear defence – in endorsing the Alliance commission report from which he had earlier distanced himself – while making no concessions of substance. There were some warnings from party activists against a "one-man approach," but the debate succeeded in kicking the issue into touch, at least until next week's Liberal assembly in Eastbourne.

However, on the eve of the speech by Mr David Steel, the Liberal Party leader, in Harrogate today, he annoyed some Liberals and those Social Democrats favouring a closer Alliance by discussing in a television interview the possibility of the two parties working together, even under proportional representation, rather than merging.

But more significant was the speech on Saturday when he clearly sought to heal the wounds of the summer by indicating that he would not try to operate on his own after the next election.

He condemned those who sought to push the Alliance towards either the Tories or Labour in the event of a hung, or balanced, parliament after the next election. He said that in any such negotiations the Alliance would try to achieve as much as possible of its own programme.

These remarks were also clearly intended to end the debate of recent weeks about how far the SPD is a mark II version of the Labour Party. This point is naturally of crucial importance in any such negotiations.

The Limehouse Group, a small, but vocal, ginger group, has emphasised the SDP's roots in the "old" Labour Party of the 1945 government.

Yet, as Dr Owen repeatedly points out, some 64 per cent of SDP members never previously belonged to any other political party. And, as Mr Anthony Goodman, a recent Oxford graduate and candidate for Uxbridge near London, his generation were not interested in the SDP becoming a Labour Party mark I or II – what he termed "a better yesterday."

Yet the doubts of some SDP members and many Liberals, about Dr Owen's post-election intentions are unlikely to disappear completely.

One indication will come this afternoon when the conference debates proportional representation. Dr Owen is fully committed to PR but, like Mr Steel, does not want to have his hands tied in any talks with other parties.

However, a number of amendments will be debated which seek firm commitments on its introduction in the lifetime of a parliament and on making a referendum on PR a precondition to any coalition with, or support of, another party.

Similarly, at the Liberal assembly in Eastbourne next weeek, Mr Steel faces calls for any negotiations with other parties to be conducted by a team elected by the two parliamentary parties, as well as by the two leaders.

The result of these debates will show how far the two leaders have the unreserved confidence of their rank and file to operate flexibly in such talks. For all the indispensability of both leaders, their parties may not like to keep them on too loose a rein.

Notice of Redemption

To the Holders of

Blue Bell International Finance N.V.

7¾% Guaranteed Debentures Due 1987

NOTICE IS HEREBY GIVEN that, pursuant to the Indenture dated as of October 15, 1972 among Blue Bell International Finance N.V., Blue Bell, Inc., as Guarantor, and The Chase Manhattan Bank, N.A., as Trustee, as supplemented, $2,309,000 principal amount of the 7¾% Guaranteed Debentures Due 1987 will be redeemed on October 15, 1986 (the "Redemption Date") through operation of the Sinking Fund at a redemption price equal to 100% of the principal amount thereof (the "Redemption Price"), together with interest accrued to the Redemption Date.

The serial numbers of the Debentures to be redeemed in whole are as follows:

[illegible]

Commencing on the Redemption Date, the Redemption Price will be paid to holders of the Debentures listed above upon presentation and surrender of said Debentures with all coupons appertaining thereto maturing after the Redemption Date.

Coupons which shall mature on, or shall have matured prior to, said Redemption Date should be detached and surrendered for payment in the usual manner.

On and after the Redemption Date, interest on said Debentures will cease to accrue.

To receive payment of the Redemption Price, on or after the Redemption Date, Debentures, together with all coupons appertaining thereto maturing after the Redemption Date, must be presented and surrendered to any Paying Agent at the following addresses:

J. Henry Schroder Bank & Trust Company
1 State Street
Corporate Trust Operations—6th Floor
New York, New York 10015

The Chase Manhattan Bank, N.A.
London Branch
Woolgate House, Coleman Street
London EC2P 2HD England

Chase Bank A.G. Headquarters
Frankfurt/Main
P.O. Box 4428 Taunusanlage 11
Frankfurt/Main, Germany 6000

Chase Manhattan Bank (Switzerland)
Genferstrasse 24
Postfach 162
8027 Zurich, Switzerland

Kredietbank
Arenbergstraat 7, B-1000
Brussels, Belgium

Kredietbank S.A. Luxembourgeoise
43 Boulevard Royal
Luxembourg 2955 Luxembourg

The Chase Manhattan Bank, N.A.
Piazza Meda 1
20121 Milan, Italy

The Chase Manhattan Bank, N.A.
41 Rue Cambon
75001 Paris, France

Payment upon presentation of Debentures for redemption to the paying agent in New York, New York, or other payment made within the United States, including by transfer to a United States dollar account maintained by the payee with a bank in the Borough of Manhattan, the City of New York, may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of 20% of the gross proceeds if the payee fails to provide the paying agent with an executed IRS Form W-8 in the case of certain non-U.S. persons or an executed IRS Form W-9 in the case of a U.S. person or certain other non-U.S. persons. No such backup withholding will be required in the case of presentation of Debentures for redemption with a paying agent outside of New York, New York, if payment is made outside of the United States. Information reporting to the IRS will only be required upon such payment made outside the United States if made to U.S. persons in certain circumstances. Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to an IRS penalty of U.S. $50. Accordingly, please provide all appropriate certification when presenting the Debentures for payment upon redemption.

The Chase Manhattan Bank (National Association), as Trustee

Dated: September 15, 1986

UK NEWS

Lower prices raise consumer spending on electrical goods

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

CONSUMER spending on electrical goods rose 17 per cent in the first six month of this year as volume sales were driven up by lower prices and strong demand.

Led by home entertainment products, which recorded a 25 per cent increase, the boom has affected all sectors, according to AGB Lek-Trak, a retail research service run by Audits of Great Britain.

Sales of white goods, items such as washing machines, were 11 per cent higher. Even small appliances, which have still to benefit from the Christmas peak, were showing a 10.5 per cent increase in the 24 weeks to July.

Compact disc players have been the star performers. Even though specifications have improved, increased competition has helped push prices down by as much as 20 per cent, and sales are currently running at three times last year's levels.

Sales of microwave ovens, widely forecast to flatten this year, are up 30 per cent, thanks partly to a 13 per cent price drop.

The volume trade in video cassette recorders, 10 per cent cheaper than last year, is up 44 per cent. Retailers have also sold 24 per cent more colour TV sets, which cost 3 per cent less.

Sales of these lines have slackened since the World Cup soccer tournament, the royal wedding and other summer entertainments, and this was reflected in the latest survey for the four weeks ended August 9. It showed sales of all electrical goods 13 per cent ahead of the same period last year, compared with 17 per cent for the first half as a whole.

Combined washer/dryers have proved best sellers among the major appliances and volume has about doubled despite a 6 per cent increase in prices.

AGB also points out that the strongest growth in consumer durables markets has been recorded outside south-east England. Spending in the south-west for example, was 28.5 per cent higher in the first six months, and rose more than 26 per cent in Lancashire and the north-east.

However, the company stresses that sales in the north of England were depressed last year in the aftermath of the miners' strike. Spending in Lancashire, for example, is still only about £160 per household per year – substantially below the national average of £195. Expenditure in the south-west is about £233 and £214 in London.

Health service 'can learn from US'

BY ROBIN PAULEY

BRITAIN has paid too high a price for its National Health Service and should take steps to improve health care by learning lessons from the US, says a report published today by the right-wing Institute of Economic Affairs.

Mr David Green, an IEA research fellow, says the centralised planning of NHS budgets fails to respect individuals' judgments about how much to spend on health and has depressed spending below the levels they would choose.

"This is reflected in the evidence that, of all the industrialised nations, Britain is one of the lowest spenders on health as a proportion of GNP," Mr Green says.

He argues that under-funding will remain an endemic feature of the NHS so long as it is financed from taxes. Without competition consumers will continue to be poorly served and second-class treatment will remain the norm.

By contrast, he says, the US health market has become intensely competitive in the 1980s with hospital in-patient care facing competition from one-day surgery centres and out-patient departments under pressure from walk-in clinics and no-wait diagnostic clinics.

Health maintenance organisations (HMOs), which charge a flat fee to cover all medical and hospital costs but tie members to certain hospitals and doctors, are growing fast and challenging the fee-for-service concept.

Mr Green urges a full-scale reform in the British health service aimed at achieving both a national minimum of health care for all and independent choice. The Government should ensure no-one is denied essential health care due to their inability to pay.

He says this is one area where the US system is unsatisfactory because there are major gaps in the safety net which leave the uninsured – usually low-income and unemployed people – without subsidy and unable to choose in the competitive market.

The British Government should not, however, attempt to allocate resource to health care, because this will lead to further underspending says Mr Green. Expenditure on health should as far as possible be a matter for the private judgment of each person or family.

The Government should promote competition by ending the NHS monopoly throughout the service.

Challenge to the NHS, Hobart Paperback 23; 4; IEA, 2 Lord North Street, London SW1P 3LB.

NOTICE OF REDEMPTION

THE PROCTER & GAMBLE COMPANY

Extendible Notes Due December 15, 1994

NOTICE IS HEREBY GIVEN that, pursuant to paragraph 7(c) of the Terms and Conditions of the Notes described above (the "Notes") the Company has elected to and shall redeem on October 15, 1986 (the "Redemption Date") U.S. $52,000,000 aggregate principal amount of Notes at a redemption price of 101% of the principal amount thereof (the "Redemption Price"), plus accrued interest from December 15, 1985 to the Redemption Date in the amount of $90.63 for each $1,000 principal amount of Notes. The serial numbers of the Bearer Notes selected for redemption are as follows:

OUTSTANDING BEARER NOTES IN THE DENOMINATION OF U.S. $1,000 EACH BEARING THE FOLLOWING SERIAL NUMBERS:

FROM	THROUGH	FROM	THROUGH	FROM	THROUGH
1	500	27001	27500	[illegible]	[illegible]
1501	3000	28001	28500	51501	52000
4501	5000	30001	30500	53501	54000
6501	6000	31501	33000	56001	62000
10001	10500	33501	34000	62501	63000
11001	11000	35001	35500	64001	64500
14501	15000	36001	37500	65001	65500
16001	16500	38001	38500	66001	66500
17001	17000	39001	40000	67001	67500
19501	20500	41001	41000	68001	68500
21501	24000	42501	43000	69501	70000
24501	25000	46001	47000	71501	72000
26001	26500	48501	49000	74501	75000

OUTSTANDING BEARER NOTES IN THE DENOMINATION OF U.S. $10,000 EACH BEARING THE FOLLOWING SERIAL NUMBERS:

FROM	THROUGH	FROM	THROUGH	FROM	THROUGH
1	100	2151	2200	5101	5150
201	250	2251	2450	5251	5350
301	350	2501	2550	5451	5550
401	450	2601	2700	5651	5700
601	700	2751	2800	5901	6000
751	800	2901	2950	6051	6150
951	1000	3201	3450	6501	6450
1101	1150	3651	3900	6751	6600
1151	1300	4001	4000	6951	6800
1351	1400	4251	4300	7151	6900
1451	1550	4301	4400	7351	7200
1601	1650	4501	4600		7400
1851	2050	4851	4900		

The Notes shall become due and payable on the Redemption Date at the Redemption Price, plus accrued interest, which shall be paid upon presentation and surrender of the Notes, together with all coupons thereto appertaining maturing after the Redemption Date, at the paying agents listed below.

The Notes to be redeemed will no longer be outstanding on and after the Redemption Date, interest on the Notes will cease to accrue from and after the Redemption Date, the coupons for such interest shall be void, and the sole right of a Note holder shall be to receive the redemption price plus interest accrued on such Note to the Redemption Date.

Payments at the office of any paying agent will be made by check drawn on a bank in New York City or by transfer to a dollar account maintained by the payee with a bank in Europe.

Following this redemption, U.S. $13,000,000 aggregate principal amount of Notes will remain outstanding.

PAYING AGENTS

Morgan Guaranty Trust Company of New York
Morgan House, 1 Angel Court
London EC2R 7AE, England

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
B-1040 Brussels, Belgium

Union Bank of Switzerland
Bahnhofstrasse 45
CH-8021 Zurich
Switzerland

Morgan Guaranty Trust Company of New York
Mainzer Landstrasse 46
6000 Frankfurt-am-Main
West Germany

Amsterdam-Rotterdam Bank N.V.
Herengracht 595
Amsterdam
The Netherlands

Kredietbank S.A. Luxembourgeoise
43 Boulevard Royal
Luxembourg, Luxembourg

THE PROCTER & GAMBLE COMPANY

By: Morgan Guaranty Trust Company of New York, Fiscal and Paying Agent

Dated: September 15, 1986

Company Notices

Ford

Following the DIVIDEND DECLARATION by the Company on 10 July 1986 NOTICE is now given that the following DISTRIBUTION will become payable on or after 15 September 1986.

Gross Distribution per Unit	2.75 cents
Less 15% USA Withholding Tax	0.4125 cents
	2.3375 cents
Converted at $1.515	£0.015429043

Claims should be lodged with the DEPOSITARY; National Westminster Bank PLC, Stock Office Services, 20 Old Broad Street, London EC2, on special forms obtainable from that Office.

United Kingdom Banks and Members of the Stock Exchange should mark payment of the dividend in the appropriate square on the back of the certificate.

All other claimants must complete the special form and present this at the above address together with the certificate(s) for marking by the National Westminster Bank PLC. Postal applications cannot be accepted.

DATE: 8 September 1986

Christiania Bank og Kreditkasse

(Incorporated in the Kingdom of Norway with limited liability)

U.S.$100,000,000

Bull Floating Rate Notes Due 1991

Notice is hereby given that the Rate of Interest has been fixed at 10.98244% and that the interest payable on the relevant Interest Payment Date March 16, 1987 against Coupon No. 2 in respect of US$10,000 nominal of the Notes will be US$555.22 and in respect of $250,000 nominal of the notes will be $13,880.58.

September 15, 1986, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

BA jobs may go to push world sales

By Michael Donne

SOME middle management jobs may be cut in British Airways as a result of the extensive internal reorganisation of the airline announced a week ago.

The primary objective of the reorganisation is to create a new world sales unit capable of maximising the airline's efforts to win new business, as well as to streamline management.

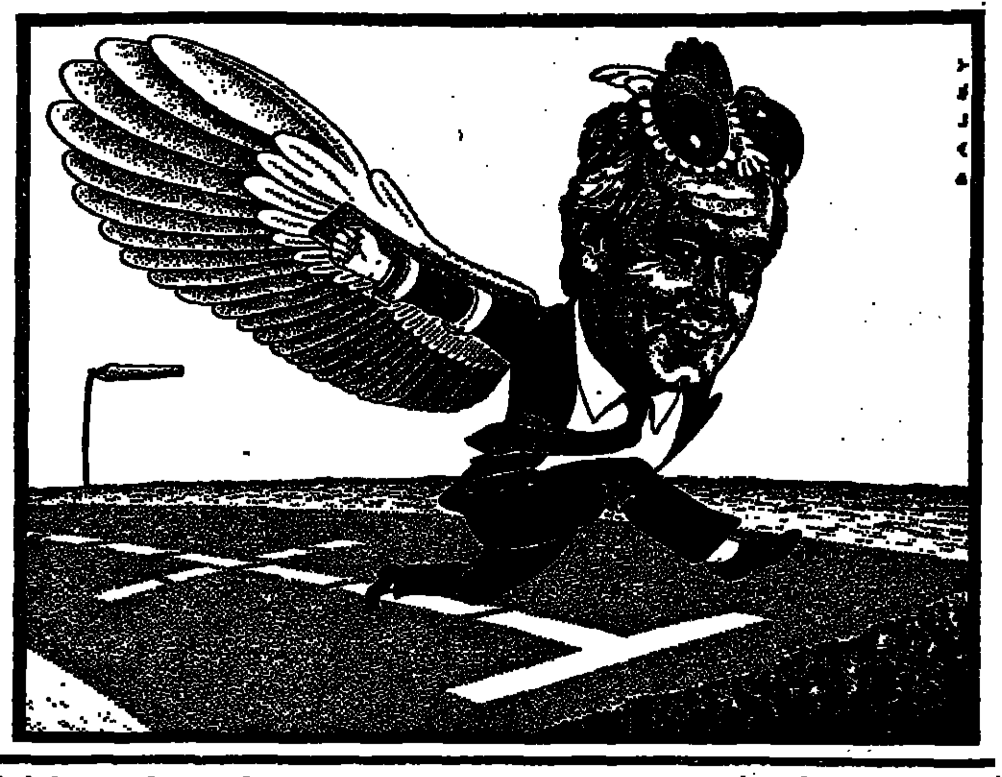
Mr Colin Marshall, chief executive, writing in the latest issue of the airline's staff newspaper, says that the changes are not a panic measure, rushed through because of falling profits caused by the air traffic slump earlier this year, or because of impending privatisation, now expected early in 1987.

He says the slump is now over, with the latest figures showing that BA is carrying more passengers than a year ago – and last year was an exceptionally good one.

MANAGEMENT

The guru factor

Preaching what he practises



Kevin Done examines the reputation of one of Europe's few businessmen-pundits, Jan Carlzon, the glamorous head of SAS

JAN CARLZON sees himself as a perpetual travel courier guiding his faithful flock of package tourists—for tourists read employees—to the next enriching experience.

The flamboyant chief executive of SAS, the Scandinavian airline, who has already become something of a trend-setter among European managers, says: "My personality is very much the tour conductor. I loved to go anywhere as a tour conductor. You brought the people to Venice, for example, and you went away in front of the group with a flag and everyone saw you and followed. I think that is what I am still doing, waving the flag and going ahead."

In three different jobs in little more than a decade he has managed to hold up his flag and get the workforce to follow him —working three minor miracles of corporate recovery in the process—at Vingresor, the tour operator, Linjeflyg, the domestic Swedish airline and then SAS. In the process he has become both a business folk hero and the butt of many critical jibes, notably that he is above all an "ego boy."

His success has drawn the gurus of modern management theory to Scandinavia to study the Carlzon phenomenon like bees to a honey-pot.

When John Naisbitt, the US author of the best-seller *Megatrends* set out to write the follow-up *Re-inventing the Corporation* with Patricia Aburdene, there was no doubting where they would start.

Paragraph one, chapter one of the book begins: "As a young man Jan Carlzon made a name for himself by turning the domestic Swedish airline, Linjeflyg, into a very profitable operation. In 1981 Carlzon became president of Scandinavian Airline Systems, SAS, which at the time was losing $17m per year. After a single year of Carlzon's leadership, SAS was earning $54m. He did it by turning the organisation chart upside down. Truly believing that SAS should be customer-driven, he put those who dealt directly with the customer in charge of the company. The rest of the company on the upside-down organisation chart worked for those who dealt with the customers."

Not to be outdone in recognising Carlzon's worth in preaching the modern gospel of corporate success, Tom Peters, author of *In Search of Excellence* manages to refer to Carlzon and SAS in his follow-up book *A Passion for Excellence* more often than to any other corporation and chief executive.

By the time Karl Albrecht and Ron Zemke sat down to write *Service America — Doing Business in the New Economy* last year, SAS and the Carlzon story had become "the seeds of an idea whose time may well have come in America, and we suspect in much of the rest of the Western business world."

Carlzon himself does not admit to having read much of the modern genre of management literature. When pushed he does confess to having skimmed through Kenneth Blanchard's "One Minute Manager" but he claims he did not even get beyond the introduction and the roman numeral pages of *In Search of Excellence*.

"It said that what it comes down to is treating people decently and asking them to shine. I said that I would use my time for something else than reading the book. I had already confirmed this message."

After taking over SAS in August 1981 in the midst of the airline recession Carlzon set about a dramatic reorganisation of the company aimed at improving service and making SAS the "businessman's airline." Customers rather than aircraft were established as the company's major asset, and staff were schooled to serve the customer. Responsibility was decentralised to the "front-line" personnel and the whole staff was sent on service courses —which quickly became known as charm schools. The planes were spruced up and Carlzon set out to make SAS "Europe's most punctual airline." "We have 50,000 moments of truth out there every day," said Carlzon, defining a moment of truth as each time a customer came into contact with the company.

The SAS turnaround has provided a model for British Airways and several other airlines, as well as for companies in a wide variety of different industries, from manufacturing to banking.

Carlzon's apparent impatience with management books has not stopped him making his own contribution. He is one of the few European top managers who have so far attempted to write a book about management, let alone to "do an Iacocca," and hit the best-seller lists in the same way as has the tale of dirty dealings in Detroit written by Lee Iacocca, chairman of Chrysler.

Lecture stage

That Carlzon knows a sales incentive when he sees one is demonstrated by the choice of Tom Peters to write the introduction to the English-language edition of his book, which will appear around the turn of the year.

Carlzon was already a well-established part of the international management lecture circuit before he took to print. His next appointment on the lecture stage is later this month when he addresses a couple of thousand bankers in Washington at the Bank Marketing Association.

One of the advantages for conference organisers of having Carlzon speak is that he comes a little cheaper than many other practitioners of the trade. "During the spring of 1984 the Executive Club of Copenhagen had three speakers on the programme: Carter, Kissinger and Carlzon," he says. "Carter and Kissinger got approximately DKr 225,000 and I got two bottles of wine. I do not take a fee. It might sound stupid to an American, but I see my job here internally to be a leader and externally to be an ambassador."

Carlzon's book *Riv Pyramiderna* (Flatten the Pyramids) has already established him as a best-selling author in Scandinavia. The book came out in Swedish, Danish and Norwegian in November last year. It went straight to the top of the best seller lists in Sweden, and stayed among the top 10 for eight months.

It has already had one reprint in Sweden selling, according to Bonniers, its publisher, some 85,000 copies. "This is a very impressive figure. It beats all imported management books like Iacocca's by many lengths," says Ebbe Carlsson, of Bonniers. A further 35,000 copies have been sold in Denmark and 21,500 in Norway. In comparison Bonniers says that even a novel is considered a success in Sweden if it sells 6,000-7,000 copies.

The Carlzon book is now being prepared for publication in the US and the UK with Harper and Row as publisher, and in France by Intereditions, the French publishing house which has made a speciality of successfully bringing foreign management books to a sceptical French public.

Pyramids was dictated rather than written by Carlson, and his thoughts were then edited by Thomas Lagerstrom, a Swedish business journalist and author, but the SAS chief executive still claims that "they are my words."

He wrote the book, he says, because of a need to set the record straight. "When we made the changes in SAS at the beginning of the 1980s there was so much written and said about what happened. It was used so much in seminars and in management training; there was not one consultant in Scandinavia who did not draw conclusions from what happened in SAS. As time went on I could not recognise ourselves in it; it was more a myth than a true picture.

"I felt a very strong need to tell what it was really about and not what people said it was about."

As one of the most visible, high profile managers in Scandinavia today, Carlzon recognises very clearly that he has set himself up as an easy target for criticism. When the SAS revolution began to run out of steam in 1984, there were many both inside and outside the company who were waiting for his downfall, and the book is one way that he has tried to head off the attack.

Pyramids is a mixture of Carlzon's account of the measures taken and methods used successively to put Vingresor, Linjeflyg and SAS back on their feet along with a sizeable helping of Chairman Jan's thoughts on modern management techniques, the development of society in general, and in a final chapter—which will not be gracing the international edition—the failings of Swedish politicians in particular.

The thoughts on management are not new: market orientation, people involvement, running a company with the customer and not the tools of production as the starting point. What is interesting, however, is that Carlzon is speaking from experience. He has sought to put these ideas on service management into practice and not just to theorise and lecture.

Thin ice

When he is explaining his analysis of the problems confronting Linjeflyg and SAS, the solutions chosen and how they were implemented, Carlzon is lucid and has an easy, readable style. When he moves into sociology and politics, however, he is on thin ice, and becomes long-winded and repetitive. What is missing, above all, is any sense of struggle, of the difficulty of the challenge. It all seems too easy.

Occasionally he allows a glimpse into a world of personal doubts. When he took on the job of heading SAS's airline operations he flew to New York to try to sort out his thoughts, suddenly afraid of failure. "I walked, alone, along street after street, hour after hour. I let arguments for and against [the job] run freely. Then I returned to myself. Charged up and mentally prepared I could go home and get to work on the new job."

If he does occasionally wander in the wilderness, it scarcely seems to be for more than 24 hours at a time.

Carlzon's thesis is that in the last 50 years society has changed from a vertical to a horizontal organisation—hence the need to flatten organisational pyramids—that in the process we have created what he calls "The New Man/New Woman."

Opportunities have been equalised, skill and knowledge levels have been evened out, people have a new confidence and self-image, they no longer bow and scrape to authority. But the corporation has not kept up with the revolution.

"In companies we continue to direct people with our catechisms, instructions and rule-books, as if nothing had happened. We take people from the new levelled society and stick then in right at the bottom of th old pyramid company."

For Carlzon, yesterday's boss must be tomorrow's leader, giving up his orders and instructions and transferring responsibility and authority to those in the front-line, the ones who are actually doing the job. The leader then works through information, inspiration, the communication of strategy and the business idea.

"A person who does not have information cannot take responsibility. A person who has information cannot avoid taking responsibility," is one of Chairman Jan's favourite maxims.

Carlzon is aware that in the past he has endangered his message by over-exposure outside the company and for the future he is planning to devote at least a quarter of his time to internal communication.

When the initial crisis consciousness within SAS—created by two years of record losses—began to evaporate with the success of the "first wave" strategy, Carlzon suddenly began to realise that he had left the organisation without new goals. He also realised that with all the concentration on front-line personnel he had failed to take middle management with him and had failed to give them a proper role in the new decentralised SAS.

Without an overall strategy from the leadership different groups began setting their own priorities and pulling in different directions thus creating increasing internal conflicts.

In *Pyramids* Carlzon describes how exhaustive talks with the personnel allowed him to formulate the new "threat" which is supposed to galvanise SAS into action and take it well into the 1990s, namely the threat of deregulation and free competition among the airlines.

He has set a target of cutting costs by 25 per cent between 1985 and 1990. SAS is seeking to develop new booking, communications and distribution systems, and it is seeking to develop a more efficient "route and hub" structure, which could eventually take it into co-operation with other airlines on certain routes.

Those might be the measures, but the methods chosen are those of visionary Carlzon, who believes—in positively Churchillian terms—that if he can get the SAS personnel to accept the reality of the threat of free competition, SAS can be ahead of the game in preparing for tomorrow's battles. "If we can master our destiny, instead of waiting for things to happen; if we use our history as a stepping stone into the future, instead of dreaming about the good old days, we might just make history again," says a recent SAS staff brochure.

Carlzon has no problem in delegating; he does not enjoy the minutiae of running a company. "My ever clearer character in the company is that I work very much on the surface. I feel I have an ability to see trends and work strategically and to give leadership. I am not good at going deep into details and executing things. There are others that can take responsibility for execution."

With his pale blue eyes, boyish good looks and greying blond hair, Carlzon's message can certainly sometimes appear naive and too good to be true. But there can be no doubt about his talents as a master communicator.

He finishes *Pyramids* with the tale of two stone cutters. "Asked what they were doing, one answered wearily, 'I am cutting these stones into square blocks.' The other answered enthusiastically: 'I am helping to build a cathedral.'"

The oft-laid charge that Carlzon is more at home in show business than business could only have received new support when he announced earlier this year that he had acquired a 50 per cent stake in Boersen, Stockholm's leading night club. It is an accusation he barely tries to refute, however. The modern company leader, he says in *Pyramids*, must be "visionary, strategist, communicator, teacher and inspirer," and, he might have added, "showman."

By using the self-critical term "ego boy" for the title of the first chapter of his book, Carlzon has tried to disarm those in Sweden who, at the height of the first SAS publicity wave, were somewhat overwhelmed by being served Carlzon with the morning paper, the radio news and the evening paper.

Previous articles in this series appeared on June 30, July 7, 14, 21, 28, August 4, 18 and September 1. The series will conclude on September 29.

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APPOINTMENTS

Stewart Wrightson forms three companies

STEWART WRIGHTSON has made further organisational changes, and three new companies have been formed. Mr G. Boden (a main board director) has been appointed chairman of Stewart Wrightson Construction Risks, the other board members being: Mr M. M. Murphy (chief executive), Mr B. J. Thornton and Mr T. H. White (joint managing directors), Mr K. Blackmore (technical director), Mr J. M. Bolt, Mr R. S. Brown, Mr D. A. J. Connor, Mr P. R. Gower, Mr R. J. Keeling, Mr C. R. Mead, Mr G. M. Pugh, Mr H. R. Robson, Mr J. K. Tunnicliffe, Mr R. A. Wallace, Mr M. J. Washbourne and Mr G. R. Whitfield. Mrs J. R. Lane, Mr I. J. Balchin, Mr M. W. Hiller, Mr W. M. Lordan, Mr R. T. Smith, Mr R. D. Tucker and Mr S. F. Wood are appointed divisional directors. Mr G. T. Sanders has been appointed chairman of Stewart Wrightson Excess Risks, the other board members being: Mr R. R. Goodge (chief executive), Mr P. E. Ball, Mr P. D. Bareham, Mr J. M. Bennett, Mr R. D. Brousse, Mr D. J. King, Mr R. W. McIntosh, Mr D. A. Petts, Mr R. T. Smith and Mr D. W. Wright. Mr P. Brown, Mr P. E. Hall, Mr J. P. Helwell, Mr P. D. P. Jeffries, Mr J. J. Nally and Mr T. A. Ratliff are appointed divisional directors. Mr G. F. Nixon has been appointed chairman of Stewart Wrightson Freight Movement, the other board members being: Mr B. Parncutt (managing director), Mr M. J. Brown and Mr A. H. Hunter, with Mr G. Hall and Mr R. Tree as divisional directors.

★

Mr Wees van Biemedijk, regional director for the north, Whitbread Inns, has been appointed chief executive of PIZZA HUT (UK), which is jointly owned by Whitbread and Pepsico. His role at Whitbread Inns will be taken by Mr David Gordon, commerical director of Whitbread Breweries.

★

ALEXANDER HOWDEN GROUP FINANCIAL SERVICES has appointed Mr David N. Wall as director and group financial controller. He joined the group from Deloitte Haskins & Sells where he was a manager principally responsible for the audit of insurance brokers and other insurance related clients.

★

ACCO EUROPE, office equipment manufacturer, has appointed Mr Peter Cellman to the new post of director of logistics, which includes all warehousing and transport operations in the UK and Europe. He was a management consultant with Coopers and Lybrand Associates.

★

ARTHUR ANDERSEN & CO has admitted the following to partnership: Mr Anthony Brierley (Leeds); Mr Joseph Conneely (London); Mr Stephen Kingsley (London); Mr Iain Muir (Glasgow); Mr David Oliver (Cambridge); Mr Philip Randall (London); Mr Charles Rasche (Bristol); Mr Peter Bidley (London); Mr David Webster and Mr Brian Whitfoot (Manchester). Arthur Andersen & Co, management consultants, has admitted to partnership Mr Andrew Hunter (Belfast) and Mr Sudhindar Khanna (London).

★

QUESTEL has appointed Mr Derek Toby as senior sales director following the retirement of Mr Frank Richardson. Mr Tubby joined Special Telephone Systems, within operating subsidiary of Questel, in 1972.

★

Mr G. A. Creaghton has been appointed secretary of the BANK OF ENGLAND from today in place of Mr F. E. Towndrew who is retiring.

★

NAMEMAKERS, public relations arm of the Osca Group, has appointed Mr David Reed to the board as head of corporate and financial business. He was a director of Shandwick Consultants.

★

Mr G. F. Cook and Mr D. W. Perry have been elected directors of HOWARD HOULDER & PARTNERS.

★

CLARKSON PUCKLE GROUP, members of the Dalgety Group, has appointed Mr A. D. Barraclough as managing director of Clarkson Puckle East Anglia.

★

Mr R. H. R. Kettle, a non-executive director of Charter Consolidated, has joined the board of SHAND as a non-executive director and has been appointed chairman. He is a non-executive director of Tarmac and of Evered Holdings. He was a group managing director of Tarmac until his retirement in May this year.

★

LONDON AND CONTINENTAL ADVERTISING HOLDINGS has appointed Mr Christopher Perry as chief executive, and a main board director. He was executive chairman of Hunti Leuchars and Hepburn Group, a South African conglomerate. Mr David Harris becomes deputy chairman of L & C AH.

★

CANADIAN IMPERIAL BANK OF COMMERCE has appointed Mr Neil Shaw as a director. He is chairman and chief executive of Tate & Lyle, and Tate & Lyle Holdings. He is also vice chairman of Redpath Industries, Toronto, a subsidiary of Tate & Lyle. Among his other directorships are Smith Industries, Touche Remnant North American Investment Trust, Texaco Canada Inc, Alcantara, Lisbon and G. R. Amylum NV, Brussels.

★

BRITISH RAIL ENGINEERING has appointed Mr Peter J. Holdstock as managing director. Mr P. A. Norman, previously chairman and managing director, becomes chairman. Mr Holdstock joins from the Emhart Corporation where he was vice president operations—Europe and Africa.

★

Mr Ian Burns has been appointed a director of LLOYDS DEVELOPMENT CAPITAL, part of Lloyds Merchant Bank. He was previously senior manager of the venture capital group of Arthur Andersen & Co.

★

Mr Harold Harvey, has been appointed an associate director of THE DRUMMOND GROUP (formerly Streud Riley Drummond). He joined in January 1985 as production director of the worsted division.

★

At INTERNATIONAL COMMODITIES CLEARING HOUSE implementation of its new corporate strategy will be in the hands of Mr R. R. St J. (John) Barkshire who has become chairman. He is chairman and chief exeutcive of Mercantile House Holdings. Mr Stuart Graham, the previous chairman, will shortly be retiring from the board, having seen through the initial stages of the company's new strategy.

★

Mr Angus Clark, managing director of THE HENDERSON GROUP's domestic garage door, sliding door gear and ladder division, P. C. Henderson, has been appointed to the board of the parent company.

★

Mr Robert Craig has joined the board of BROWN SHIPLEY INVESTMENT MANAGEMENT, the holding comuay for Brown Shipley's investment companies. Mr Craig is chairman of Heseltine Moss & Co, the stockbroking company recently acquired by Brown Shipley. Mr Michael Beggs has been appointed managing director of Brown Shipley Asset Management; Mr Michael Chapman, Miss Caroline Schicht and Mr Peter Kirwan have also joined the board. Mr Trevor Chubb has joined the board of Brown Shipley Unit Trust Managers. Mr Chubb was formerly a director of Tyndall Managers and is based in Bristol.

★

EXCESS INSURANCE GROUP has appointed Mr P. C. Brown as hull underwriter and Mr R. D. C. Seymour as assistant London marine underwriter.

★

Mr A. G. Hickey has been appointed managing director of VACTITE. He was financial director and retains those responsibilities. Vactite is a member of the GEC wire and cable group.

★

Lord Geddes has joined the board of FABER PREST HOLDINGS.

★

Mr Peter Davies and Mr Nigel Grover have been appointed directors of TAYLOR WOODROW CONSTRUCTION. Mr Davies joined Taylor Woodrow Construction in 1980. He became company secretary of Taywood-Santa Fe (now re-named Taylor Woodrow Offshore) and Taymech Nigeria in 1981, company secretary of Taylor Woodrow Construction in 1983 and took up a similar position with Taylor Woodrow Energy the following year. Mr Grover joined Taylor Woodrow Construction as a quantity surveyor in 1963, became a senior quantity surveyor in 1973, deputy chief surveyor in 1978, and a divisional director in 1985.

★

Mr Brian Faircleugh has been appointed a director of STREETS FINANCIAL ADVERTISING. He joins from The Economist where for 10 years he was the international advertisement manager.

★

BONAR COLE POLYMERS has appointed Dr Clive T. Rankin as deputy managing director. He was with John Waddington where he was a director of three subsidiaries.

★

Mr Peter Bulfield has joined YAMAICHI INTERNATIONAL (EUROPE) as an executive director. The company is a subsidiary of Yamaichi Securities Co, Tokyo. Mr Bulfield was a director of J. Henry Schroder Wagg & Co, and is a member of the Export Guarantees Advisory Council and the *Overseas Projects Board*. Yamaichi Securities will be seeking a banking licence in the UK and if this is granted, Mr Bulfield will become chief executive of the banking company.

★

MANUFACTURERS HANOVER has appointed Mr Keith R. Baker to its investment banking sector as foreign exchange manager—UK, and Mr Terence D. Allen as foreign exchange manager—Europe. Mr Baker is responsible for foreign exchange trading and sales in London and Guernsey and will be based in London. He had been head of foreign exchange in London for Drexel Burnham Lambert. Mr Baker replaces Mr Stuart A. Bass, who has retired. Mr Allen who will also be based in London will be responsible for trading and sales in 13 other locations in Europe and the Middle East. He was formerly treasurer of the National Bank of Abu Dhabi.

★

Mr David Rogers has been appointed marketing director of TMC, UK telecommunications company of Philips. He joins from Plessey network and office systems where he was general manager for small switching products.

★

CECIL GEE has appointed Mr Terence Donovan as group finance director. He was finance director for Europe, Africa and the Middle East of Raymond International Inc. Mr Patrick McGee has resigned from the main board to pursue other interests.

Why the going will stay tough down on the farm

AFTER SIX gruesome years during which company balance sheets have been mercilessly pummelled by shrinking demand the world's agricultural equipment makers are staring at an all-too-familiar picture. This year their markets are going nowhere but down.

Half a decade has been spent shutting plants and hacking headcounts and, over the past two years, introducing some much needed if limited restructuring, yet plant utilisation is almost as bad as it was in the early 1980s.

Tractor factories are operating at no more than 50 or 60 per cent of capacity on two shifts in the industrialised West while factories making combine harvesters and other equipment are limping along at more like 30 per cent.

"There just is no big upturn on the horizon that would enliven our spirits," says John Deere of the US, the world's largest farm equipment maker.

No one in 1985 believed that after years of shrinkage the market would slide again. But it has, dragging sales down to levels the big producers did not think possible only a few years ago.

Massey-Ferguson is predicting that output of tractors of 40 hp and above in the western world in 1986 will be between 410,000 and 460,000, a big drop from last year's 510,000.

In the first six months of this year in the US—where the farming community is still reeling under collapsed income and farm foreclosures — tractor demand has declined by more than 7 per cent, according to the Farm and Industrial Equipment Institute. The position is even worse than it looks because sales of tractors under 35 hp—which are dominated by Far East producers, are up—these are not normally used on farms—while those in the 40 hp-100 hp bread and butter bracket are down by a quarter.

In Europe, where farm incomes have either remained stagnant or fallen amid uncertainties about EEC support regimes, the French market has slid, the Italian market is stumbling, sales in Britain have plummeted 27 per cent and demand in West Germany is no better than stable. Ford, the western world's No 2 tractor maker in terms of unit sales, behind Massey, predicts a fall of 10 per cent this year in the European market.

Some Third World countries, already labouring under massive liquidity problems have also been hit by the fall in oil prices. The general consensus in the industry is that outside North America and Europe demand will be down 6 per cent.

If the industry thought that the tractor market was bottoming out, many also believed that the headlong tumble in sales of other equipment must surely now come to a halt. They were wrong too.

In the US sales of combines slumped from 26,000 in 1980 to 8,000 last year and so far this year they are down 17 per cent, according to the Agricultural Engineers Association in the UK, now one of the world's leading farm equipment producing countries.

Balers, unit sales of which were halved to 7,000 in the five years to 1985 are down by a quarter and grass-cutting forager-harvesters whose sales collapsed in the US from 9,500 to 2,500 in the same period have dropped yet again this year by 17 per cent. Just about the only piece of equipment where sales are up is the grain bin—in big demand to hold the surpluses that bedevil farming.

Some of the fall in tractor sales results from the gradual move to bigger machines but the central problem has been tumbling markets. "The equipment makers are still looking for the bottom," says Chris Evans, economist at the association. "The bottom has been an illusion. It's moving down every time, dragging everyone with it."

One happier note is that the big farm equipment makers are not racking up the vast losses most of them had become accustomed to. Massey, for example, after closing 20 plants since 1978, cutting its workforce from 68,000 to under 20,000 and embarking on a major financial and capital restructuring, has now begun to make an operating profit.

But news of the industry's lingering distress is never in short supply. Deere declared a loss of $34m in the first quarter of this year followed by one of $38m in the second. It announced one of $39.6m for the third quarter, and now seems certain to report its first annual loss since 1933.

Tenneco, whose JI Case business purchased the farm machinery interests of International Harvester in 1984-85 for $489m, announced earlier this year that it was selling its insurance operations for $1.5bn. It has warned that it will not keep pouring money indefinitely into its agricultural equipment division.

However Mr Jim Ketelsen, Tenneco's chairman, has been making some very optimistic sounds about the long-term future of its farm machinery operations. Case IH made an $18m operating profit in the second quarter of this year compared with a loss of $168m in the first quarter of last year and is predicting an operating profit over the full 12 months.

It is not just the big boys that are steering. Steyr-Daimler-Puch of Austria doubled its losses to $40m for 1985 — a fall-off in international orders for tractors was a major contributor. Fiat is one of the few big producers that claims to be making a profit on sales.

One of the industry's major weaknesses is that restructuring has only happened in fits and starts. The merger of IH's farm machinery business into Case was by far the largest. Since then Deutz of West Germany has bought the farm equipment interests of Allis Chalmers in the US and Ford purchased Sperry's New Holland interests. Deere was on the point of taking over Versatile in Canada, whose four-wheel drive tractors would broaden Deere's range, but that move has so far been blocked by the US Government. Massey has wrapped up its Canadian combine operations into a separate company of which its owns only 40 per cent and has gone further down the road than the other majors in outsourcing some equipment in Europe, including all its combines. There have also been persistent rumours of a likely link between Fendt in West Germany and Mercedes-Benz.

The industry though is still lumbered with overcapacity. Mr Jim Felker, president of Massey's farm equipment business, recently called for more collaborative deals between the big producers — but without much hope of seeing his advice acted upon. He sees more chance of some of the smaller producers disappearing, arguing that even a 10 per cent cut in industry capacity would generate real improvements in the bottom-line performance of those that remain.

But the death rate among machinery makers is very low. They have collectively shown a powerful will to hold on in whatever battered form.

Yet it is not all gloom. Mr Gorham Cowl, director of worldwide sales for Ford, says there could be an upturn in 1987, though it would be "mild." Deere is still talking about eventual market recovery of a kind though it would be "slow and painful." Case JH says 1986 will really be the bottom for the US market. All this might not be just wishful thinking.

Farmers' fuel costs are down in the US and much lower land prices have kept big debt burdens off the books of the newer farmers who have just begun to make a living off the land. Those prices are now stabilising. A sales rise in the west is also on the cards for 1988-89 in the replacement cycle for the tractor purchase boom of the late 1970s.

What concerns the big machinery makers though is the outlook for commodity prices, farm incomes and short and medium term demand. That outlook tells them that the farm machinery business will remain tough right into the next decade.

Nick Garnett

Six new middlemen prepare for the market

IN DIMLY-LIT rooms around the City of London teams of young men and women are playing elaborate games. Some pretend to be clients, others play the part of brokers. There is much shouting, standing up and sitting down, waving and keying of figures on to screens. Sometimes, in the early evenings, other groups—this time real clients—come to join in the fun.

London's new firms of gilt-edged inter-dealer brokers (IDBs) are at the final dress rehearsal stage for Big Bang. There are six, which it is generally agreed is too many, both because there will not be enough business to go round, and because the gilt-edged market makers will not be able to watch six screens at once. But unless the Bank of England decides that one or more of the IDBs fails to come up to scratch during its current round of "kit inspections" they will all have to fight it out.

The gilt-edged IDBs in London, like the gilt-edged market makers, have been cloned by the Bank of England from their well-established counterparts in the US Treasury bond market.

Interestingly enough, there are T-bond IDBs in London, dealing with the London branches of the US primary dealers. The story is told of the gilt-edged firms which sent managers off to New York to see the IDBs in action, only to discover that they need only have gone around the corner in Cannon Street.

IDBs are designed to add liquidity to the market. Huge positions can be unwound by market makers at a commission rate which in London is likely to be 1/128 per cent. Even that will be payable by only one party to a transaction, the one that responds to a bid or offer on the screen. The market maker who calls up the broker and advertises the position will deal for nothing. It has to be that way round because empty screens generate no business.

The IDBs will be at the centre of an expected explosion in inter-professional dealing when the new gilt-edged market opens up. In the US, daily trading of Treasury bonds averages an astonishing $100bn, compared with well under £1bn a day in the London gilts market, pre-Big Bang. The IDBs will hope to double that figure pretty quickly if they are to make any money. After all, they have to turn over £12,800 worth of bonds to earn £1. And an IDB needs roughly £1½m of hardware and software, not to mention a team of 20 to 40 people.

But the gilt-edged IDBs are, as it were, pre-tried and tested. The weaker two or three may fall, or be forced into specialist niches, but the basic concept is proven. The more intriguing question at the moment is whether IDBs can be made to work in equities.

Last week the Stock Exchange posted rules under which equity IDBs would operate, and Tullett and Tokyo proclaimed its intention to be the first off the mark, with at least a skeleton service in operation by October 27.

If it achieves this, Tullett (which will also run a gilt-edged IDB) will leapfrog First Equity, an independent start-up operation which signalled its intentions several months ago, but which will not be ready until January 1987.

Also waiting in the wings is Charles Fulton, which has decided its gilt-edged IDB systems can be converted for the equity market. But it is waiting until the current delays in the installation of telecommunication lines have eased. It reckons it would take three or four months to set up an equity IDB from the date of a "go" decision.

The idea is that equity IDBs would make it easier for the new equity market makers—of which 35 or more have registered with the Stock Exchange — to take on big positions.

But an equity system will be more complex to set up than a gilt-edged system, in which all the market makers will trade in all the issues. Equity market makers will be much more selective in the stocks they quote, and information on, say, Grand Met must only pass to market makers registered as dealing in that security.

Moreover, an equity IDB will have to cover at least the 62 alpha stocks to be taken seriously, and maybe the Footsie 100. In comparison, there are around 120 gilt-edged issues, but only 30 or so active "runners."

First Equity claims there has been a "fantastic" response by market makers to the prospect of what amounts to a private, wholesale market in leading equities. The firm will instal its screens with 26 or 27 market makers.

It will list the alpha stocks to begin with. The minimum size will be 10,000 shares (compared with a minimum quote in 1,000 on the public SEAQ screen) and the commission, payable only by the party responding to the screen entry, will be 1p a share.

Since Tullett & Tokyo (Equities) was airfreighting its computer from the US only last week, its October 27 starting date must be slightly doubtful. At this stage it is targeting 20 of the larger market makers, and intends to cover, again, the alpha securities. Fancy features like user screen customisation are promised: this means market makers need only look at quotes for their specialist stocks.

Will the equity IDBs be successful? There is no direct parallel in New York, where there is a different kind of block trading system. Most of the London market makers appear quite keen, but then they have no reason not to be, because they do not pay for the IDB service to be installed, so it amounts to a free option.

COUNT DOWN DAYS TO BIG BANG 42

The test will be whether they use it or not.

IDBs work best when there is a large number of market makers. So it could be important that they should get going quickly, before the post-Big Bang influx of new equity market makers gets thinned out by competition.

If they are successful, extension into the bulldog market, foreign equities and even Eurobonds might follow.

Barry Riley

THE WEEK IN THE COURTS

Silence broken on phone tapping

A DRAMATIC court room conflict occurred recently between three Campaign for Nuclear Disarmament members and Mr Leon Brittan, the former Home Secretary.

Mrs Joan Ruddock, Mr John Cox and Monsignor Bruce Kent alleged that Mr Brittan unlawfully authorised the interception of Mr Cox's telephone calls in August 1983. They applied, in the High Court, for judicial review.

In 1982, Lord Hailsham, the Lord Chancellor, in a speech in *Chief Constable of the North Wales Police v Evans (1982 1WLR1155)*, gave his opinion about the proper scope of this remedy.

Judicial review was intended to protect individuals against abuse of power by many authorities. It was not intended to take away from those authorities the powers and discretions properly vested in them by law. It was intended to see that the relevant authorities used their powers properly.

The purpose of the remedy was to ensure the authority gave the individual fair treatment. It was not aimed at substituting the opinion of the judiciary or of individual judges for that of the relevant authority.

The court's function was to see that lawful authority was not abused by unfair treatment.

The court was not to attempt the task the law entrusted to the relevant authority.

The three CND members wanted the court to make a declaration that Mr Brittan had been without authority to authorise or renew the interruption and monitoring of their telephone calls.

They also claimed damages or an inquiry into damages against Mr Brittan for alleged misfeasance in a public office.

Mr Justice Taylor heard and decided the application. He ruled that two of the applicants, Mrs Ruddock and Monsignor Kent, did not have sufficient interest to apply for relief, because the phone tapping under consideration was of Mr Cox's phone.

He also ruled that the application raised matters of general importance and that he would be exercising his discretion wrongly if he rejected it on the ground that Mr Cox had delayed in making it.

A submission was made on behalf of the Secretary of State that the court should not hear Mr Cox's application because it would be detrimental to national security.

There was a long-established policy not to disclose the Home Secretary's making of any warrant to intercept telephone calls, because this would prejudice security service operations, on which the safety of the realm depended.

Under the policy it would be wrong for a court to investigate, discuss and make findings about the issue of such a warrant, because of national security. An application for judicial review invited a departure from the official policy of silence, and the court should refuse to hear the application because of national security.

Mr Justice Taylor rejected this submission. He considered two of the relevant decided cases, *The Zamora (1916 2AC77)* and *Council of Civil Service Union and others v Minister for the Civil Service (1985 1AC374)*. In the former case, Lord Parker said that "those who are responsible for the national security must be the sole judges of what the national security requires." In the latter case, Lord Scarman said that those words were no abdication of the judicial function, but were an indication of evidence the court required.

Mr Justice Taylor rejected the suggestion that because the Home Office maintained silence about the issue of a warrant to tap telephone calls the court should follow suit. This, he said, would be an abdication of the judicial function.

He ruled that, because the evidence put forward on Mr Cox's behalf had for the most part been relayed to the nation on television more than a year ago, he could see no grounds for refusing—as a matter of discretion—to deal with Mr Cox's application.

Mr Justice Taylor also rejected the Home Office argument that because the Interpretation of Communications Act 1985 governed telephone tapping now and for the future, Mr Cox's application was at most of academic or historical interest. The act created a tribunal to deal with issues of wrongful or unlawful telephone tapping and its decisions could not be appealed or questioned in any court.

Mr Justice Taylor said the court had a supervisory jurisdiction. He did not think that if any wrongdoing was proved, the court should shrink from declaring the fact simply because if a similar situation arose in the future, the tribunal and not the court would be the appropriate forum.

He accepted the argument that the publication of criteria concerning the issue of warrants for telephone tapping and repeated acknowledgement by successive home secretaries of their binding effect created a legitimate expectation enforceable by judicial review that no warrant would be issued outside those criteria.

He rejected the argument for the Home Office that the doctrine of legitimate expectation did not apply to Mr Cox's case. He decided that the doctrine imposed a duty on the relevant authority to act fairly.

This doctrine was not confined to cases where the individual concerned in any dispute with authority had a right to be heard by that authority. Where there was no right to be heard, it was important that a promise or undertaking given by a minister as to how he would proceed should be kept.

Mr Justice Taylor decided on the evidence before him that Mr Brittan had issued a warrant outside the criteria. He then considered whether the warrant issue outside the criteria amounted to ministerial misfeasance.

The argument for Mr Cox was put in two ways. One was that Mr Brittan knew that he was issuing a warrant outside the criteria because he issued it for an ulterior and improper purpose, namely, to gain a party political advantage.

The alternative argument was that if Mr Brittan believed the criteria applied, he acted irrationally or unreasonably, in that his decision was one which no sensible person who had applied his mind to the relevant issues could or would have reached.

Mr Justice Taylor rejected both arguments and Mr Cox's application failed.

Although the application failed, the scope of administrative law has, for the time being at any rate, been enlarged.

As shown by the GCHQ case, administrative law has benefited as much from applications which have ultimately failed as from applications which have ultimately succeeded.

Justinian

Revised City of London local plan faces criticism

BY LAURIE LUDWICK

THE CITY of London Corporation faces opposition to a revised version of its local plan, the controversial document designed to map out development in the Square Mile over the next 15 years.

Some City associations object to what they see as an inconsistency between the plan's conservationist slant and its declared aim of enhancing the City's role as an international financial centre.

Mr Richard Saunders, chairman of the Association of Owners of City Property, said: "If the City is going to compete in world markets it must be flexible and respond to changes in the market, but the draft plan restricts the ability of City firms to keep up with new technology and compete."

The corporation has received 700 comments on the City of London Local Plan—two-thirds of them objections. The corporation is inviting 84 individuals and institutions to meetings at Guildhall this month. It anticipates a public inquiry with the Department of the Environment in the spring.

The first draft, published in November 1984, received 1,500 responses, many criticising it for being too conservationist and paying insufficient attention to the needs of the financial community, which requires larger accommodation for trading floors and data processing.

But Mr Saunders believes the modified version has still not gone far enough. He protests against the method of calculating plot ratios, which control the physical bulk of buildings, and stresses that inflexible rules will inhibit the competitive position of the City as a financial centre.

Mr David Senior, deputy director of the London Chamber of Commerce and Industry, criticises the City's emphasis on conserving structures "which no longer fulfil a general purpose."

● Greenwich Council is to go to the High Court today for a judicial review in an attempt to stop the proposed Canary Wharf development. The council argues that the massive development in Docklands will ruin the cross-river vista from Greenwich and that there was insufficient consultation about the proposal.

THE ARTS

Architecture/Colin Amery

Three candidates for super-stardom booked for RA

Not long ago, the exhibitions secretary of the Royal Academy of Arts told me he did not think that architecture was much of a draw for the public. Presumably he is now biting his nails as the R.O. prepares to open the largest architectural show seen in London for decades.

It is the largest devoted to the work of living British architects, and undisclosed sums of money (in the region of £½m) are at this moment being spent to present displays that will lure the crowds.

The star approach has been adopted. There are, at the moment, three British architects who carry not inconsiderable weight on the international scene. More importantly all of them have completed major commissions overseas.

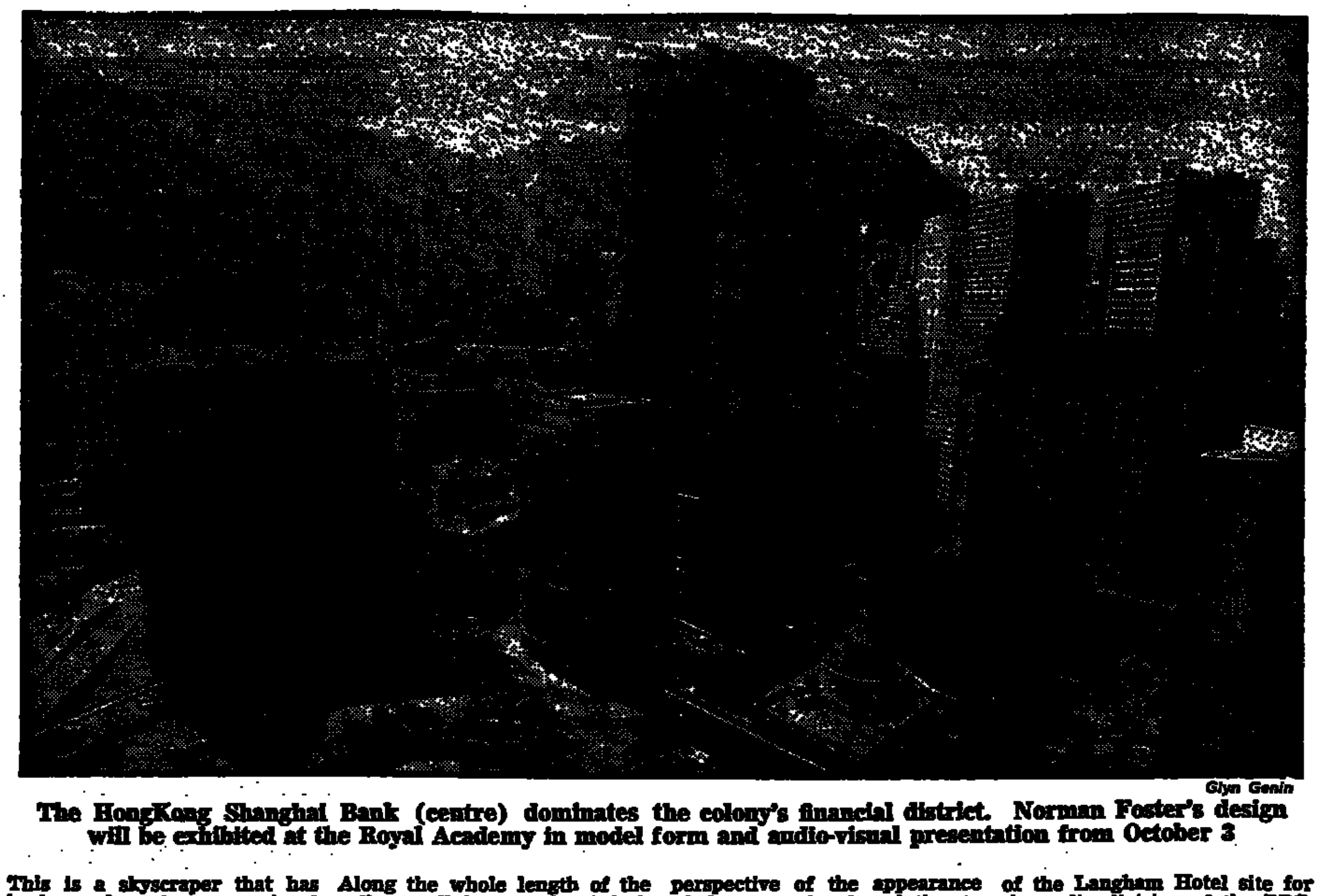
The three architects selected for the signal honour of spectacular one-man shows at the RA are James Stirling, Richard Rogers and Norman Foster. It seems timely to look at the qualities of these candidates for super-stardom and to put them into the total architectural context.

James Stirling was born in 1926 and studied architecture at the University of Liverpool. He is best known today for his spectacularly successful example of what he calls "informal monumentality"—the extension to the Staatsgalerie in Stuttgart. His recent British commission is the Clore Wing for the Tate Gallery which will open next year to display the nation's Turner Collection. He is an unsuccessful contender to design the Sainsbury extension to the National Gallery, but is now working on the conversion of part of the Albert Dock in Liverpool for the *Tate of the North*.

He is unpredictable, responding in very individual ways to every commission. The City Corporation is at present considering his scheme for Mansion House Square—an intriguing replacement for the rejected Palumbo/Mies van der Rohe proposals.

Richard Rogers has made a major mark abroad with the Pompidou Centre in Paris, a monument to his (and his partner Renzo Piano's) radical structural thinking. London has benefited from the controversial and liberating impact of his new Lloyd's of London. In his new role as chairman of the Tate Gallery trustees, Rogers is well placed to improve the national attitude to contemporary art. He is clearly an important catalyst and has the vital quality of positive enthusiasm for radical change on all fronts concerned with the visual arts.

Norman Foster has achieved international recognition for the HongKong Shanghai Bank Headquarters in Hong Kong.



Glyn Genin

The HongKong Shanghai Bank (centre) dominates the colony's financial district. Norman Foster's design will be exhibited at the Royal Academy in model form and audio-visual presentation from October 3

This is a skyscraper that has broken through conventional attitudes to high buildings and developed the office interior into an art form.

Foster was born in 1935 in Manchester and, with Richard Rogers, established the firm "Team 4" that developed architecture and its relationship with high technology. High Tech architecture, an aesthetic that depends upon the celebration of the visual language of technology, is a major contribution to modern architecture that is entirely British.

With these three leaders of opinion and design enshrined within the sacred portals of Burlington House it seems reasonable to ask what exactly the public is expected to gain from a visit to the exhibition?

First, there will be a settled format for the show. Each architect will display one completed and built example of his work. The other half of the exhibit will show either a project that was designed and not erected, or a speculative proposal. This element of the exhibition promises to be the most interesting.

In the main gallery of the Academy, Gallery III, Richard Rogers will display proposals for the improvement of London. Along the whole length of the gallery will be a tank of dark water simulating the Thames. Here Rogers will explore the potential of what he considers to be a neglected part of London. From the South Bank he proposes a new link to replace Hungerford Bridge—probably one of the ugliest bridges in the world—and a series of floating islands in the Thames. This is the kind of adventurous thinking London needs.

Through a series of giant circular portholes, it will be possible to examine models of Lloyd's—a chance to match the architect's original conception to the reality of the building.

James Stirling has designed for the Academy a large walk-in model of the essence of the Stuttgart Gallery, using the colours and materials of the original. Like a giant sculpture, it will convey the elemental nature of the design and show architecture as a constructional and sculptural medium. There will also be an opportunity to see the proposals that Stirling submitted for the extension to the National Gallery. These will have been substantially developed from the scheme presented to the assessors earlier this year, including a lavish perspective of the appearance of the new wing in relation to Trafalgar Square.

Norman Foster's exhibit will bring the Hong Kong Shanghai Bank to London, both in model form and in an elaborate audio visual presentation. Of more recent interest are his proposals for the redevelopment of the Langham Hotel site for the radio division of the BBC. This is likely to be seen as one of the missed opportunities for London. In this scheme Foster showed an almost classical ability to design in glass and stone. It should show, once and for all, that highly technical facilities can be accommodated

This celebration of British architectural talent elevates the exceptional but does not explore many of the reasons for their success. In the eyes of the public who, after all, are the consumers, their work is isolated from the fabric of everyday life. The landscape of our lives depends upon so much more than the individual talents of particular designers. The risk of an exercise like this at the Academy, is that the architects will appear to have entered the Pantheon and become yet more remote and distant.

I suspect that Foster and Rogers will appear as technical wizards rather than poets. Stirling, if his message comes across, should be seen as the great promoter of a return by modern architecture to a cultural context that has historical roots. His work at Harvard (the Fogg Museum), at the Tate Gallery and Stuttgart tackles the impossibly difficult area of the creation of a new aesthetic.

The aesthetic of technology is all around us. A Japanese camera or a computer are close relatives to the work of Rogers and Foster. Stirling sees and struggles to express the more elemental, mythic and heroic side of architecture. These are the missing elements in modern architecture—not to mention the almost dead concepts of decoration and meaning.

It would be churlish to wish the RA show anything other than public success. If it succeeds in drawing attention to the current transitional period in architecture—the move from doctrinaire mechanics to beauty and life—it will have opened the nation's eyes. The show opens to the public on October 3.

Arts news in brief . . .

Deloitte Haskins & Sells, enjoying the new freedom that accountants and management consultants have to promote themselves, is to sponsor the National Theatre's production of *The Pied Piper*, which joins the repertoire in November.

Written by Adrian Mitchell and Alan Cohen, and with music by Dominic Muldowney, it will be performed at matinées. Around 500 children from ILEA schools will take part in *The Pied Piper* which maintains the NT's tradition of one production each year aimed at young people.

Deloitte's is putting over £50,000 into the sponsorship and will buy out the theatre for a performance before Christmas to entertain clients and their children. It is also taking seats to give to children's charities. This is the second production at the NT to find a sponsor—the first was *The Threepenny Opera*. It is also Deloitte's second arts sponsorship. It favours off-beat events and helped a production of Samuel Butler's *Narcissus* which showed up the risks of investing in the Stock Exchange.
A.T.

★

The Count Basie Orchestra comes to the Barbican in London on October 1 to give one London concert under the direction of Frank Foster, the saxophonist, composer-arranger and Basie alumnus With the band will be vocalist Carmen Bradford.

The mezzo soprano Dame Janet Baker is to become the first president of the City of London Sinfonia Orchestra.

★

As a consequence of Sir Peter Pears' death in April, the gala concert in aid of the Aldeburgh Foundation at The Royal Opera House, Covent Garden on November 30, will now be a tribute to him.

The programme will be Britten's War Requiem and Mozart's Sinfonia concertante, with Simon Rattle and the Birmingham Symphony Orchestra, Galina Vishnevskaya, John Shirley-Quirk, Anthony Rolfe Johnson and Anne-Sophie Mutter.

The concert is being sponsored by GKN plc.

Last Night of the Proms

Andrew Clements

Ever since the BBC sought to preserve an element of seriousness in the Last Night by allowing the theme of the year's Proms to infiltrate the festivities, this extraordinary cultural dinosaur has become quite schizoid. Straightforward and often most enterprising novelties are now juxtaposed with the toe-curling embarrassments of the community singing, which seems to generate a mindless momentum of its own: does the Last Night audience actually realise what it is singing in "Land of Hope and Glory," and still, in a post-colonial, post-Falklands era, not blush with shame?

This has been an Italian season, so the first half of Saturday's event was devoted to Puccini; not, alas, an operatic extract (though something like the last act of *Turandot* would have fitted the context rather well) but a pair of early rarities, the *Preludio sinfonico* of 1876, written when its composer was 18, and the *Messa di Gloria* of 1880. Both works present fascinating glimpses of the young Puccini piecing together the style he would deploy to such devastating theatrical effect, as well as suggesting lines of development he chose to turn aside.

The Wagnerian overtones of the Preludio are the most surprising: the string writing of *Lohengrin* had clearly been thoroughly studied and integrated into what remains a sustained yet still Italianate orchestral study, more impressive in its way than the mass of four years later. There the mix of styles is far less coherent: there are flashes of the later ecclesiastical vein (the Kyrie was lifted directly into *Edgar*, and the Agnus Dei re-employed in the second act of *Manon Lescaut*) and some more or less digested gobbets of Verdian harmony, but the tendency to lapse into fugue at the most obvious moments and passages of unredeemed four-square vocal setting consign the work as a whole to the category of historical interest only.

Performances, by the BBC Symphony Chorus and Orchestra, with David Rendall, David Wilson-Johnson and Matthew Best the tenor, baritone and bass soloists in the mass, were attentive and lively. Raymond Leppard was the conductor for the evening, and he included a trio of suitably sun-drenched British works to keep the Mediterranean influence going into the later stages—Walton's *Scapino* Overture, Bax's sub-Debussyan *Mediterranean*, and Britten's *Soirees musicales*. Leppard's speech was short and appropriate, and the rest followed along its tired, anachronistic path, before everyone was allowed to escape into the fresh air.

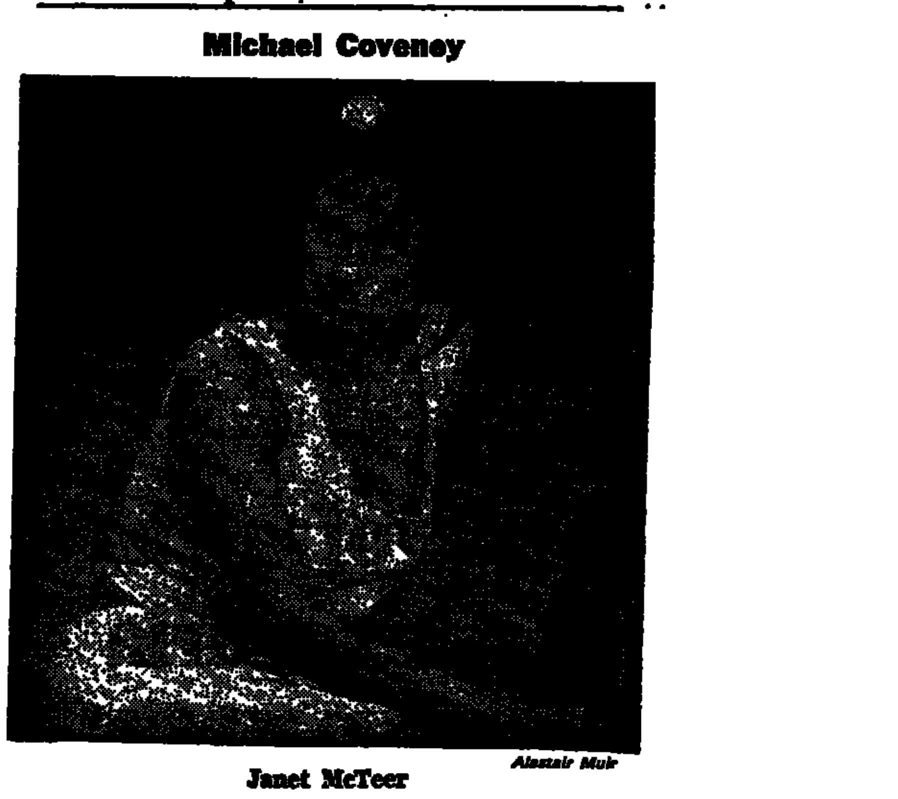
★

Two nights earlier, breathing the air of another planet altogether, Simon Rattle had brought the City of Birmingham Symphony Orchestra for its second visit to the Albert Hall this summer. Their programme was calculated to show both conductor and orchestra at their very finest: Ravel's *Alborada del gracioso*, spikily rhythmic, pungently coloured, Debussy's *Images* wrought in clearly defined lines, every profile sharp and not an impressionistic haze in sight, with Rakhmaninov and Sibelius to follow.

The soloist in Rakhmaninov's Fourth Piano Concerto was Philip Fowke, who coped splendidly with the work's bravura demands and recherche rhetoric, less convincingly with its range of colour when his tone seemed hard and unyielding in fortissimos. Rattle's accompaniment was exemplary; one passage, an unaccompanied string line delivered with perfect refinement and balanced expressivity, demonstrated what a superbly responsive body the CBSO has become under his tutelage. Sibelius's Seventh Symphony too had the feeling of a thoroughly well-drilled, relaxedly idiomatic reading: Rattle's basic pulse is faster, less marmoreal than many, but it still manages the climaxes with no diminution of grandeur or intensity.

Worlds Apart/The Other Place

Michael Coveney



Alastair Muir

Janet McTeer

Worlds Apart in The Other Place, Stratford-upon-Avon, is a sprawling, informative and completely fascinating play by the Cuban writer José Triana, who began writing it in 1979, one year before he finally left Havana to live in Paris. An earlier play of his, *The Criminals*, was done by the RSC in 1967. This one, adapted by Peter Whelan from a literary translation by Kate Littlewood, presents a fragmentary but teemingly vital picture of life in Santa Clara and Havana between 1894 and 1914, as the wars against Spain gave way to Independence in 1902 and subsequent American economic and political intervention. Fidel Castro looms large but of course unborn.

The Andalucian Catholic code of honour imported from Lorca's Bernarda Alba is a central binding theme in the life story of Victoria, who dreams and recollects the play as an unfulfilled mother with a jaw as firmly set against the libido as is Glenda Jackson's in the Lorca play at Hammersmith. She is the daughter of a farmer whose sugar mill and plantation is the focus for unrest among the Creole slaves, revolutionary stirrings among the farm managers and other aspects of political ferment as the children grow to adolescence and respectable marriage.

Nick Hamm's full-blooded production gives us a wonderfully evocative succession of scenes spiked with Creole choruses, Spanish tangos and Cuban folk songs.

His cast is exceptionally susceptible to this music, proving a veritable dance company in the colourful wedding party scene. Chris Dyer's design uses the upper level as a balcony and verandah, various locations conjured in an ingenious arrangement of standing screens, mirrors, doorways and white gauze blinds. At the wedding of Victoria and Joaquin (David Haig gives another eye-catching performance), lanterns appear along with the newly-invented gramophone and a groaning table of food and drink. The festive atmosphere is delightfully contagious.

The paterfamilias Ricardo (David Killick) resists invitations to come off the political fence by taking the family to New York, an episode submerged beneath the scenes of severely monitored growing up and subsequent marriage. Victoria cannot consummate the relationship, is seduced by her husband's boss (a silkily seductive Henry Goodman) and, after a period of bacchanalian release, returns to the family fold with the intention of remaining an honourable woman. In a scene as rich and disturbing as the wedding party, Joaquin and two relations celebrate the acquisition of a new house with a drunken picnic.

One of the joys of my job is reporting the career of a brilliant young actress such as Janet McTeer. As Victoria she again displays a full range of emotion and physical gesture, graduating from adolescent sexual inquisitiveness to a disastrous marriage bed blighted by her illicit vision of lust. That speech where she confesses, quietly and disturbingly, an obsession with a mysterious mullato later killed with other revolutionaries, will be for me an unforgettable highlight of this year's Stratford season.

Her brother Gaston, superbly played by Philip Franks, is a mouthpiece critical of the Spanish honour code, defecting like his creator to France, appalled by corruption in public life. His sister Alicia, equally well played by Joely Richardson, marries the obnoxious incarnation of the racist Cuban landlord (Martin Jacobs) and is struck down with a paralysing disease.

The fine cast also includes Anna Nygh as the family friend, Rosalind Boxall as a grandmother proud of reaching the age of 55 untouched by masculine hand (a complementary condition to Patricia Hayes's at Hammersmith), Geraldine Fitzgerald as a slinkily unapologetic middle-class slut and Jeremy Pearce as an earth-larding farm manager.

Swan Lake/Covent Garden

Clement Crisp

It is a particular merit of the *Swan Lake* which Peter Wright and Galina Samsova have made for Sadler's Wells Royal Ballet, that the old text is everywhere treated as a matter for serious consideration. The production, and Philip Prowse's broodingly beautiful designs, are not just another reliquary for the dusty (if sacred) remains of a once-hallowed piece of dance theatre. The staging proposes a view dramatic and cogent of Odette's tragedy and the High-Gothic world of Siegfried.

From the attention-gripping first sight of the funeral procession during the playing of the overture, to Benno's appearance bearing Siegfried's drowned body as the action ends, we see not merely narrative logic (which can be a bore in the poetic world of ballet) but the dream-truth of legend and an emotional tension to sustain it. There is an unashamedly elegiac mood to the lake-side scenes; a genuine sense of momentum to the dances amid the fires of red and gold in Prowse's designs for the ballroom, all of which were, on Friday night, the proper frame for Galina Samsova's grandly communicative performance as Odette/Odile.

For the Swan Queen, Samsova offers dancing having the simplicity and inevitability which come with complete understanding, and a true physical sympathy with the role. Poses are allowed to speak of feeling without gratuitous decoration, the dance flowing in long, softly accented paragraphs, as if pouring cream, yet never bland or creamily monotonous. There is dignity at every moment and a Russian trained amplitude that can make an arabesque seem both taut and generous.

Odile, wisely trimmed of her *fouettés*, glowed irresistibly, a projection of von Rothbart's will, and the clear relationship with Alain Dubreuil's dominating view of the villain was vivid in drama as the dance was in physical allure.

The Siegfried, new to Covent Garden, was Petter Jacobsson. His training in Sweden, Leningrad and New York has given him a technique well-rounded and excellent in articulation. His reading of the Prince is boyish, a decent and self-absorbed princeling caught up in a grand passion he cannot properly comprehend nor yet fully expressed to us.

Harrell & Ashkenazy/Barbican

Max Loppert

A programme of Beethoven sonatas on Thursday brought to the Barbican Hall the team of Lynn Harrell and Vladimir Ashkenazy. Both players proved to be in exceptionally fine form—strong individuals, a direct and impassioned team. It was a special pleasure to be given such certain evidence that Ashkenazy's mind and fingers were fully concentrated on the piano—since his additional assumption of the conductor's role that is by no means reliably the case on piano nights. Harrell has always been a cellist with power and technical ease to spare, but on Thursday the physical qualities were at the service of musical communication.

The choice was satisfyingly balanced — the first two of the five sonatas before the interval, the last after it. In the first sonata, the F major (Op 5 no 1), Beethoven is still testing the waters of instrumental balance; the piano dominates, and Ashkenazy set the tone with his broad-spanning yet crisply articulated *cantabile* in slow music, his tinglingly energetic attack in fast.

In this performance it was (as it always ought to be) an adventure to visit remote tonal regions (A in the first movement, D flat in the second); there was a great deal of lightly inflected humour in the finale; the moods of the whole piece were exactly gauged. In the G minor, Op 5 no 2, the musical range enlarges, and so did the cellist's role in shaping and directing the melodic flow. The finale was the first real call on his virtuosity, and it was excitingly answered.

All of this could hardly be accounted a prelude to Op 102 no 2, yet the grandly angular and taxing D major sonata has a way of chasing earlier impressions entirely out of mind — at least, when it is unfolded with the combination of fierce, driving directness and cool control that marked this performance. The opening flourishes never lost their potential for melodic grace; Harrell's soft playing in the middle movement was sustained with a glorious singing steadiness. Chamber music now sounds good in the Barbican. Either the acoustical improvements have made the difference, or else chamber music-making of this quality is indefatigable.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

September 12-18

Music

PARIS

Mark Varshavsky, Cello, Christine Lacoste, Cello, Michael Wladkowsky, Piano: Rachmaninov, Kodaly, Sammartini, Nikiprovetsky (Mon 7pm), Auditorium des Halles, 5 Porte-Sainte-Eustache, Metro les Halles.

Catherine Collard, Piano: One hour with Beethoven (Tue 6.30 pm) Auditorium des Halles.

Orchestre National de France conducted by Marc Andrae, Alain Meunier, Cello: Debussy, Ohana, Liszt (Wed 8.30 pm) Unesco, Salle 1, 125 Ave de Suffren.

Christian Lardé, flute Marie-Claire Jamet, Harp: Mozart, Pergolesi, Debussy, Ravel (Tue 9 pm). Saint-Severin Church (43338761).

LONDON

London City Chamber Orchestra conducted by Thomas McIntosh. Busoni. Queen Elizabeth Hall (Tue). (928 3191).

London Mozart Players conducted by Jane Glover with Rafael Orozco, piano. Haydn, Mozart and Robert Saxton. Royal Festival Hall (Wed). (928 3191).

Trio Zingara: Mendelssohn, Brahms and Schubert. Purcell Room (Wed). (928 3191).

London Philharmonic Orchestra conducted by Klaus Tennstedt with Maurizio Pollini, piano. Beethoven; Royal Festival Hall (Thur).

Orchestra of St John's Smith Square conducted by John Lubbock with Alexander Baillie, cello. Mozart and Tchaikovsky. Queen Elizabeth Hall (Thur).

BRUSSELS

Palais des Beaux Arts: Augustin Dumay, cello and Jean Philippe Collard piano. Faure Prokofiev, Brahms (Tue); Belgian National Orchestra conducted by Mendi Rodan with Teresa Berganza mezzo-soprano, Berg, de Falla, Montsalvage, Brahms. (Thur).

ITALY

Milan: Teatro alla Scala: Kurt Masur conducting Richard Strauss and Beethoven (Wed and Thur) (80.91.26).

NETHERLANDS

Amsterdam, Concertgebouw. Hubert Soudant conducting the Netherlands Philharmonic, with Bella Davidovich, piano. Schumann, Bruckner (Mon, Tue). The North Holland Philharmonic with a Viennese evening (Wed, Thur). (718345).

The Hague, Congresgebouw. The Netherlands Chamber Orchestra under Antoni Ros-Marba, with Dezsö Ranki, piano. Nielsen, Beethoven, Voorman. Mozart (Mon). (548080).

VIENNA

Concentus musicus conducted by Nikolaus Harnoncourt with Herbert Tachezi, organ, Paul Esswood, countertenor, Bach, Händel, Augustinerkirche (586 1670/40). (Wed).

Georges Bachas, lieder, Prentiss Dunn, piano, Schubert, Fauré, Williams, Schumann. Bösendorfer Saal. (Thur).

NEW YORK

New York Philharmonic (Avery Fisher Hall): The season opens with Zubin Mehta conducting, Izhak Perlman violin. Sarasate, Chausson, Ravel, Tchaikovsky (Tue); Corigliano, Bartok, Brahms (Thur). Lincoln Center (874 2424).

WASHINGTON

National Symphony (Concert Hall): Mstislav Rostropovich conducting. Arleen Auger soprano. Weber, Mozart, Mahler (Tue); Andrew Litton conducting, Richard Stoltzman clarinet. Berlioz, Corigliano, Rachmaninov (Thur). Kennedy Center (254 3776).

TOKYO

NHK Symphony Orchestra, conducted by Wolfgang Sawallisch, Stravinsky, Schostakovich, NHK Hall. (Wed, Thur) (465 1780).

The Concertgebouw Orchestra (Amsterdam), Mozart, Bruckner (Wed) Ravel, Debussy, Dvorak (Thur). Hitomi Memorial Hall, Showa Women's College, Sangenjaya. (571 1689).

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BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Monday September 15 1986

Retreat from dirigisme

WITH THE naming of the first three companies to be privatised, the Government of Mr Jacques Chirac is setting out on a programme of asset sales which will reverse the ill-judged nationalisations of its Socialist predecessor. But the French Government's strategy represents more than a British-style U-turn as one party succeeds another. The aim of the new administration is to make a decisive break with the dirigisme which has characterised French governments of the right as much as the left.

Learning from the experience both of President Reagan and of Mrs Margaret Thatcher, the Chirac Government is putting the emphasis on lower taxes, deregulation and greater freedom for individuals and companies; already price and exchange controls have been largely dismantled. In spite of its narrow parliamentary majority and the difficulties of "cohabiting" with a socialist president, there is a firm intention to move France in the direction of a more dynamic market economy.

The task is made somewhat easier by the fact that in their last two years in office the Socialists had begun to adopt almost Thatcherite policies on the control of public expenditure, the restructuring of industry and the liberalisation of financial markets. In addition, the initial programme of nationalisation for all its faults did make it possible to correct some of the errors arising from the interventionist policies of the Giscard Government; as a result, several state-owned companies are now in better shape to be sold off to private investors.

Social peace

The privatisation plans do not include public utilities comparable to British Telecom or British Gas, but the Government intends to follow Mrs Thatcher's example in using the programme as a means of greatly extending share ownership among employees of the companies concerned and among the public at large.

Mr Edouard Balladur, Minister of Finance, hopes that privatisation will lead not only to a wider diffusion of wealth but also to a better understanding about how the market economy works.

Apart from the constraints of market capacity on the pace of privatisation, "cohabitation"—and the slender parliamentary majority—will restrain the speed and extent of the other transformation which the Chirac Government wants to bring about. As in the British Conservative Party, there are also differences of emphasis in the governing coalition between the pragmatists like Mr Balladur and the more radical free market thinkers such as Mr Francois Leotard and Mr Alain Madelin. But Mr Balladur has made it clear in interviews over the past few days that he sees large and irreversible moves in the direction of "liberalism" as essential for the recovery of the French economy.

Another constraint is the need to maintain social peace. This is especially relevant in a case such as steel, where France has further to go than the UK in adjusting capacity to demand and in raising productivity. Given the French Government's extreme reluctance to provoke a confrontation of the sort which Mrs Thatcher had to endure in the miners' strike, the restructuring process is certain to be handled cautiously. The same applies to the removal of rigidities in the labour market, such as the minimum wage arrangements.

Old patterns

There is bound to be scepticism outside France about the likelihood of a genuine and lasting shift away from the dirigiste habits which are so deeply entrenched in the French system. To outsiders, two of the most striking features of French economic and industrial policies have been an aggressive defence of national interests and a close rapport between government and big business; some of France's industrial successes, as in nuclear power and aerospace, have been based in part on the intimate relationship between technocrats in the public and private sectors.

Clearly these old patterns of behaviour will not suddenly disappear, but the new emphasis on allowing markets to work and on reducing the role of government is welcome. Some members of the Chirac Government see a close linkage between their domestic objectives and the commission's programme for removing barriers to trade within the Community by 1992. It is important for Europe that the momentum of liberalisation both in France and in the Community should be maintained.

Start of a thaw in Alexandria

LAST WEEK'S Israeli-Egyptian summit in Alexandria—the first for five years—will not have been in vain if it achieves no more than a thaw in the "cold peace" between the two countries. A modicum of warmth in relations is a prerequisite for a comprehensive settlement of the Arab-Israeli conflict. President Mubarak and Mr Shimon Peres, the Israeli Premier, declared 1987 "a year of negotiations for peace" and at least addressed the critical issue of Palestinian representation. But only the wildest optimist could conclude that the basis has been laid for a revival of the Middle East peace process in any significant way.

Wary stance

The process has been moribund for nearly a year since the US abandoned its somewhat half-hearted moves towards a dialogue with a joint Jordanian-Palestinian delegation in the wake of the Achille Lauro affair. This approach became a totally blind alley with the failure of the Palestine Liberation Organisation to accept unequivocally UN Security Council Resolution 242—in other words, Israel's right to exist—and King Hussein's subsequent break with Mr Yassir Arafat, chairman of the PLO.

The fact that the summit was convened at all will have been counted a success by the US and Mr Peres, but one in the first instance sought for the applause of domestic audiences and in particular the Israeli electorate. The hectic American diplomatic activity and the final resolution over the terms for arbitrating the dispute over Taba demonstrate Washington's interest in seeing an improvement in relations after four years of frigidity since the Israeli invasion of Lebanon.

Mr Peres's image as a statesman and a man committed to peace will have been enhanced just prior to his hand-over of the premiership scheduled for mid-October, to the hard-line Mr Yitzhak Shamir the leader of the Likud bloc which refuses to contemplate any territorial compromise. The more his position at home is strengthened, the better the chances of Israel making the concessions required at some point in the future.

That consideration, quite apart from heavy US pressure which he could hardly ignore, may have been an important factor in finally persuading President Mubarak to agree to a summit which could do him no good with his own people.

The US, meanwhile, failed in its efforts to involve Jordan which, having broken with PLO, is standing warily in the background. King Hussein rightly believes that he cannot attempt to negotiate on behalf of the people of the occupied territories as long as they see the PLO as their sole legitimate representative.

Agreement between Israel and Egypt to resumed peace efforts is no more than a starting point. Mr Peres's willingness to entertain the idea of negotiations within the framework of an international conference involving the permanent members of the UN Security Council signify some progress because all the Arab parties to the conflict insist upon one. In the last analysis involvement of the Soviet Union is probably unavoidable as a comprehensive settlement must by definition involve Syria.

Real progress

Differences over the principle of Palestinian self-determination and the role of the PLO remain as fundamental as ever, however. In 1987 the best that can probably be hoped for is talks on autonomy, within the rigid and inadequate context, of the Camp David accords and the peace treaty of 1979—the only basis acceptable to the Likud.

They failed in the past even to bring about the self-governing authority which should have been established by 1984. Before any real progress can be made, profound changes in the Israeli electorate's view of the occupied territories and in their inhabitants' thinking about representation will be required.

GATT

When failure is unaffordable

By Christian Tyler and William Dullforce

TRADE Ministers of the non-Communist world meet today in the almost deserted out-of-season summer resort of Punta del Este, Uruguay, to resolve crucial disagreements about how to reverse an accelerating drift away from free trade. They have a week in which to agree an agenda that will set in motion the most ambitious round of negotiations since the General Agreement on Tariffs and Trade was created after the Second World War.

So much has been invested in this attempt to launch the eighth Gatt round, so many reputations are at stake, and so unthinkable are the consequences of failure, that only a diplomatic disaster this week can prevent it happening now.

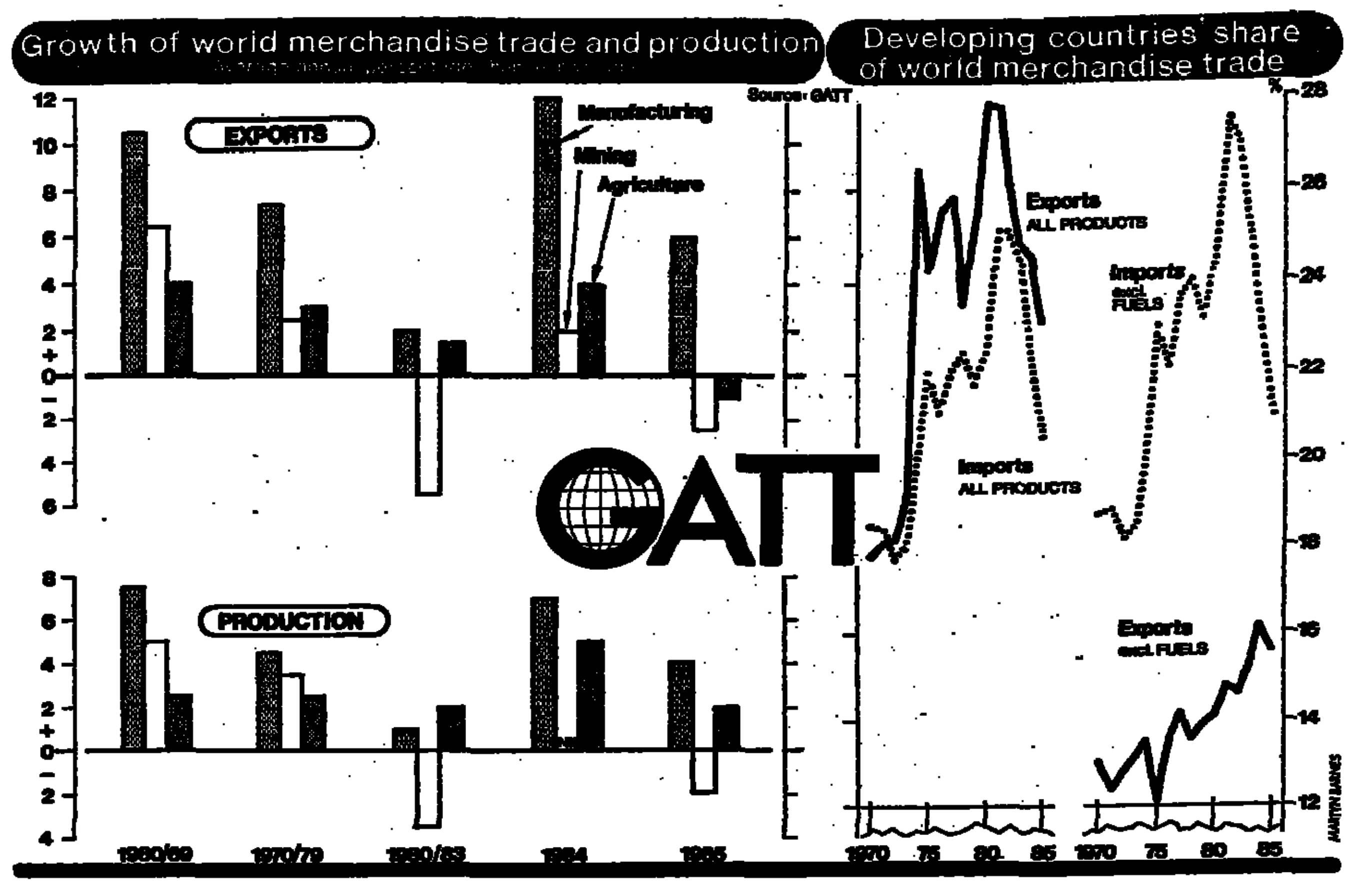
Yet as the starting gun is fired for a four- or five-year negotiating marathon, the runners are unsettled—fighting over the starting blocks, not gazing determinedly down the track.

Little has happened to suggest that fundamental differences over the scope of the talks and approaches to important issues have been settled since July, when the committee in Geneva preparing for the talks failed to agree on a draft declaration for the ministers—although there have been reports that the US and France have now come to some understanding over trade in agriculture.

The 92 signatories of the General Agreement may be united in their conviction that the Gatt is the best and only defence the world has against *the spread of paralysing protectionism*. But they are divided in their ideas on how the Agreement should be rewritten to carry the open-trading system into the next century.

Some even doubt that it can be revived in anything like recognisable form to cope with the strains of industrial adjustment and unemployment in the West, of debt and development in the Third World, and of huge imbalances between the trading superpowers of the US and Japan.

The trade ministers meeting in Punta del Este know they are engaged in a defensive campaign to save the cardinal principles on which the Gatt was founded: that a concession to one party is a concession to all, that protection should be visible, temporary and non-discriminatory; and that grievances are judged and settled in open forum. In other words, their primary task is to restore the credibility and authority of the Gatt. Only then can existing breaches of Gatt discipline be dealt with and the process of liberalisation move ahead. For the moment at least, trading nations are rather like the child in the Belloc rhyme: only keeping hold of nurse for fear of finding something worse.



The Gatt started life in 1948 as a treaty between rich nations regulating trade in goods by means of tariffs. It was the forum in which major tariff reductions were exchanged in successive rounds. The Tokyo Round, which ended in 1979, then moved on to a preliminary attack on non-tariff barriers and the first real participation of the developing countries.

Today the developing countries comprise two-thirds of the membership and interests have begun to polarise around a North-South axis. This has enormously complicated the political task of preserving a treaty that is strong enough to ensure predictable market access for producers in rich and poor countries alike, but loose *enough to recognise big disparities* in economic development.

The new round is an attempt to renegotiate rules and to open markets in the three broad ar of agriculture, manufacturing and services. This must be done in a way that gives free play to the comparative advantages of North and South—Whether it is in growing coconuts or selling credit cards.

Of the three areas, only manufacturing *is* systematically covered by Gatt articles. But the rules have been by-passed in a web of non-tariff agreements (so-called voluntary restraints) mainly directed by the US and EEC against the new competition from Japan and other parts of Asia, and Latin America.

In return for dismantling illegal protection, the older industrialised countries will expect the removal of the high tariff walls and other barriers thrown up against them to protect "infant" industries in the developing world—which the industrialised world argues have now reached maturity.

For agriculture, everyone agrees, the Gatt rules are hopelessly inadequate. But they are inadequate because countries everywhere regard food production as a strategic industry and the weakness of the rules has been deliberate. In Uruguay, ministers will be responding to the crisis of overcapacity in world agriculture created by production and export subsidies that even the richest nations can no longer afford. If all goes well, the new round could be the first step on a long road to treating agriculture like any other industry.

As for trade in services, there are no Gatt rules at all. Majority opinion in the Gatt is with the US: that a system that makes no provision for a quarter of world trade is doomed to extinction. But a hardline minority of developing countries—fearful of the damage that Western access will do to their fledgling service industries—will fight every inch of the way this week to put services in the margins of the negotiations, if not banish them altogether.

The preparatory committee in Geneva left the trade ministers with three texts to consider. One, submitted by Colombia and Switzerland—a symbolic coalition of an industrialised and a developing country—would have secured the backing of the majority of Gatt's members, had not the EEC (at the instigation of France) refused to accept its wording on agricultural trade.

Another text drafted by a group of 10 militant developing countries, headed by Brazil and India, denies the new round the authority to treat "new" Gatt issues such as trade in services, intellectual property and trade-related foreign investment. The US is insisting that these areas must be brought within Gatt's scope.

The ministers will be able to ignore the third text, a late compromise effort by Argentina. The big players would like to use the Colombian-Swiss draft as the basis for the ministerial declaration. They will try to break the deadlock over its wording on agriculture and to reach agreement with the hard-line developing countries on the sections dealing with the "new" Gatt issues, and on textiles and clothing.

At a meeting in Sintra, Portugal, earlier this month however the US, the EEC, Japan and Canada failed to harmonise their tactics. Despite reassuring statements issued afterwards, private exchanges were rough and no concessions were made. *Lines may even have hardened.* US trade officials have been angered by an EEC attempt to find a compromise with Brazil and India over the "new" issues.

The EEC is still under attack over its agricultural subsidies. Encouraged by the US readiness to force the issue, 14 self-styled "fair-trading" countries, meeting at Cairns, Australia, last month declared their determination to see that the new round included a programme to bring about a "marked reduction in the use of subsidies."

The 14, which comprise a cross-section of interests from major wheat and meat exporters such as Australia, Argentina and Canada to an Asian rice exporter, Thailand, and an Eastern bloc food exporter, Hungary, will work together on agriculture in Punta del Este.

So far the EEC tactic has been to give nothing away on agriculture. The rest of the 12 have followed France's stand on the inviolability of the Common Agricultural Policy. EEC negotiators aim to keep tight control of agricultural matters in the new round: they insist that farm subsidies or anything affecting agriculture can be handled only in one negotiating committee and they reject the US demand that agriculture be one of the issues given priority in the new round. A compromise over agriculture by the end of the week is crucial if the new round is to be successfully launched.

At Punta del Este, Japan — long Gatt's silent partner — could start playing a role commensurate with its economic stature, particularly if the US and the EEC try to write into the ministerial declaration words critical of Japanese importing practices.

Mr Hagime Tamura, the country's trade minister, curtly dismissed at the Sintra meeting the idea that Japan's trade surplus could be an object for negotiation in Gatt. Tokyo has also sent its foreign minister to Punta del Este.

But it is the US which is likely to take centre stage at Punta del Este. Washington has flown in three ministers — Yeutter (trade), Baldridge (commerce) and Lyng (agriculture) — and the US team has taken up a commanding position at the Hotel San Rafael, where the ministers will hold their plenary meeting.

The Reagan administration has prodded and cajoled the Gatt towards a new round. It has much at stake domestically, since the promise of new trade-liberalising talks has been used to stem protectionism in Congress. If the US does not get what it wants, the barriers could go up at its borders.

US officials have been talking tough in the past few days. The threat of a $200bn trade deficit in 1986 should make it clear to everyone that the US cannot make concessions on essentials they say.

Such are normal tactics at the start of important negotiations. But Mr Yeutter has warned publicly that, if the US does not get satisfaction at Punta del Este over issues vital to it, such as agriculture and the "new" areas, then there may be no new round.

Underscoring US determination to get a result, its officials have indicated that Washington would not worry too much if the Gatt principle of moving by consensus were broken. Countries which did not want to go along with the programme of the majority could "go hang," a US official suggested. This militancy is aimed at Brazil and India which have been fighting to have the "new" issues excluded from the programme.

The developing countries comprise more than two-thirds of Gatt's 92 members. Many of them still see the organisation as a "rich man's club" in which their interests always take second place. The question of how Gatt can better serve them must be thoroughly ventilated in the new round.

The US answer is simple: a *sweeping extension of free trade* will help everybody, including the developing countries. It would "increase their stock of trading opportunities," Mr Yeutter has said.

The price of failure this week would be heavy indeed. It would be a signal to protectionist lobbies everywhere that the Gatt, without the transfusion it needs, is doomed to extinction. The US could be expected to carry out its threat to push its demands bilaterally with trading partners. Failure would put poor countries at the mercy of the rich and spur the disintegration of a 40-year-old trading system into larger or smaller defensive customs areas. It is for that reason, as Mr Willy de Clercq, the EEC trade commissioner has put it, that ministers are condemned to succeed in their South Atlantic seaside hotel this week.

Men and Matters

Home from Home Stores

There were those in the City who had—and expressed—their doubts earlier this year about the outlook for Sir Terence Conran and Denis Cassidy. While they beamed at the merger between matronly British Home Stores and Conran in the Storehouse Group, many felt sure the relationship between the marriage partners would suffer from Cassidy's crustiness and Conran's diffident artiness.

Perhaps it was the BHS champagne, but there was no remnant of scepticism evident last week among the mob of merchant bankers, brokers and fund managers who clamoured to congratulate the happy couple on the zippy facelift to be carried out in all 128 BHS stores over the weekend. Cruising back down the river from the unveiling of the new look at Kingston-upon-Thames, they muttered earnestly about "sympathy" and "synergy."

Cassidy recalls only one fractious moment, in November last year. By chance he sat next to Conran at a head-banging session between the Retail Consortium and Nigel Lawson, Chancellor of the Exchequer.

"Isn't it a pity?" Cassidy asked his neighbour, apropos of heaven-knows-what.

"Why don't we talk?" suggested Conran, equally vague.

"I said something unrepeatable," recalls Cassidy.

However inarticulate, the exchange led on to a four-day, secret tête-a-tête which ultimately produced the merger.

Cassidy acknowledges there are differences. "I am a working-class Geordie retailer who lives on his salary. Terence is a millionaire entrepreneur."

And there *is* a gracious, emphatic recognition of the two men's roles: "Terence is chairman and I'm happy to see him there. I am chief executive of BHS. If I can't persuade him that my view is better, then his view will prevail."

Beyond that lies the common ground: "We are both retailers and our business philosophies are identical," says Cassidy.

"They say it's the ghost of the Clan piper playing Distillers' Lament"

Full picture

Successive chairmen of Shell Transport and Trading have inherited a painting, which hangs outside the chairman's office in London's Shell Centre, depicting the Dutch on the Medway in 1667.

It is a fine painting by Jacob Bellevois — but unhappily it shows all the English ships being sunk.

In the interests of maintaining a well-balanced relationship with his Dutch colleagues, Peter Holmes, current chairman of Shell Transport, has commissioned a splendid painting of the Battle of Terschelling in 1666, in which the English fleet destroyed a large Dutch fleet.

The English fleet, in that battle, was commanded by an admiral called Sir Robert Holmes—though whether he was an ancestor or not, Peter Holmes does not know.

But the painting, by John Groves, showing the Dutch fleet being consumed by fire, will hang, in future, outside the office of the president of Royal Dutch in The Hague.

Day by day

Both sides in the row between France and West Germany over the French nuclear complex at Cattenom on the Moselle clearly have a sense of the importance of history in such disputes.

The German state of Saar brought a lawsuit against the *nuclear plant in the Strasbourg* court on the anniversary of the ending of World War II on May 8. But France responded by loading the power station with uranium on July 14, Bastille Day.

Now Electricité de France plans to follow this by feeding the first 1,300 megawatts from the reactor into the grid on the day commemorating a much bigger and bloodier struggle, November 11.

But will that end these hostilities, or merely renew them?

Body politic

If only the politicians could form such a happy coalition as the political pr men.

Paul Tyler, former Liberal MP for Bodmin, is giving up his duties as chief executive of Good Relations Public Affairs, to work, part-time and in a personal capacity, over the next 12 months on promotional plans for the general election for Alliance leaders, David Steel and David Owen.

Tyler, 44, will remain chairman of the company and continue as consultant to its clients. But he will hand over managerial responsibilities to Peter Luff, 31, former policy adviser to Tory minister, Peter Walker, and for two years, head of Edward Heath's political office.

Luff is a prospective parliamentary candidate for the Conservatives — but he will be backed up at Good Relations by a new account director, Peter Bradley, deputy Labour whip on Westminster City Council, and a new research assistant, Sebastian Berry, who worked at the Commons for Labour deputy leader, Roy Hattersley.

Whichever way the vote goes at the election, some good relations should thus be preserved.

As Luff says: "Our belief in the importance of our consultants maintaining their own political activities has enabled us to add a dimension to our service which is unrivalled."

Brandy snap

As one might expect, I suppose, from a son of Macmillan's chief whip, Peter Morrison, the newly-appointed deputy chairman of the Conservative Party is a *stickler for traditional etiquette.*

Morrison, the MP for Chester, once invited his MP colleagues in the north west and their spouses to dinner so that future political strategy could be discussed in a convivial atmosphere.

The climate turned chilly, however, when the coffee came round, and he suggested that the ladies withdrew while the men got down to business.

For one of the ladies happened to be Lynda Chalker, MP for Wallasey and now a minister at the Foreign Office, who, not unnaturally, thought she should stay for the MPs' discussion.

Morrison refused to budge. Chalker must join the other women, he insisted. In the end, she did — but only to collect her coat and then return to tell Morrison she was off to do some constituency work.

If Mrs Thatcher should ever accept his invitation to dinner, it will be interesting to see what happens when her deputy chairman calls for the coffee and brandy.

Filthy rich

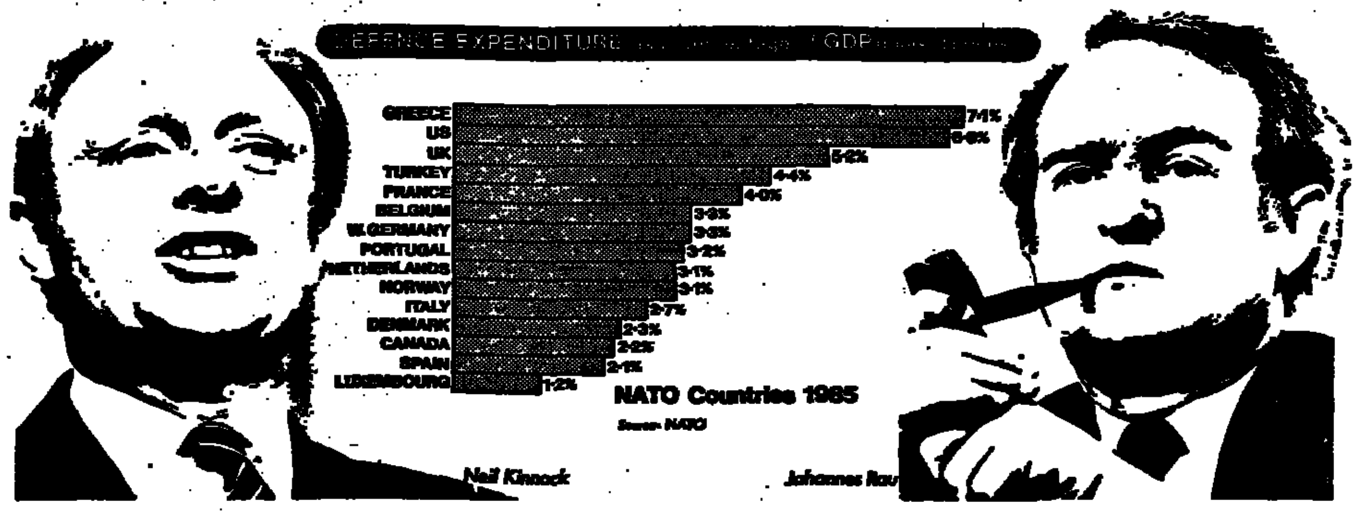
A colleague heard this definition of opulent neighbours from a disgruntled claimant at Bromley social security office—"The smell of bacon at breakfast time and two dustbins."

Observer

FOREIGN AFFAIRS: EUROPEAN DEFENCE

Illusions of the left

By Ian Davidson



ALTHOUGH THE Chernobyl explosion was a many-faceted disaster for the Soviet Union, it has also created, as a by-product, an unconvenanted political dividend which may yet seriously embarrass the West: it has given added impetus to the hostility of left-wing parties in Western Europe to nuclear power, whether civil or military. The SPD party in West Germany has just taken a lurch in this direction; the Labour Party in Britain is about to do the same.

The recent SPD Congress called for the removal of the American cruise and Pershing II missiles, and expressed the hope that the Russians might follow suit with their SS 20s. The programme for Labour's forthcoming annual conference reiterates the party's commitment to end Britain's national nuclear deterrent by cancelling the purchase of the Trident submarine missile system, and calls for the removal of all nuclear weapons from Nato's forces on the central front.

Of course, defence is such an emotive issue for left-wing parties that debate invariably throws up a plethora of evasions and ambiguities. The SPD Congress may want the removal of all the US Euromissiles from Germany; but the party's official platform for next January's elections will not be decided until next month, by its new leader, Mr Johannes Rau; and if his opinions are not entirely clear, they do not coincide with those of the ultra-left either.

The document for the Labour Party conference is quite explicit on the commitment to cancel Polaris and Trident, and on the need to move Nato towards a policy of No First Use of nuclear weapons, and then to a nuclear-free zone in Europe; but you have to look back two years, to the party's policy platform, *Defence and Security for Britain*, to find the specific commitment to "the unconditional removal of all US nuclear weapons and nuclear bases from British soil and British waters." Yet the 1984 platform is still apparently party policy, and is repeatedly cited in this year's defence document as the relevant background for party debate.

It is sometimes held that the current unilateralist, anti-nuclear leanings of the German SPD need not cause any serious loss of sleep in the Atlantic Alliance, because the SPD has no chance of winning the next elections in Germany; and that it is too soon to worry about the Labour Party's unilateralism, because Mr Neil Kinnock, the leader, is a shrewd fellow who knows that Labour's showing in 1983 was badly dented by its neutralist image, and will be determined to avoid that mistake next time round.

Well, maybe. It is certainly true that the policy statement which will be discussed at this year's Labour Party conference asserts that a Labour government would use the savings which came from cancelling Trident to strengthen conventional defence. It stresses the importance of reforming Nato's strategy through co-operation with other European countries and admits that the reform process would take many years. Conventional, European, gradualist—it all sounds very serious, very moderate, very reassuring.

But is it? How does the party justify a non-nuclear policy in Nato? Very simply—by rewriting the threat assessment, so as to conclude that Nato's existing conventional forces are adequate to counter any Warsaw Pact attack with conventional weapons. This is an area without certainties. But the historical fact is that Nato adapted its strategy to include battlefield and theatre nuclear weapons because European governments were not prepared to field the size of conventional forces they believed they needed to meet the Soviet threat; while the latest assessment by the International Institute for Strategic Studies says that the military balance favours the Warsaw Pact; and that there are sufficient dangers in the trend to require remedial action by the Atlantic Alliance.

The Labour Party document claims that ending Britain's nuclear role and reducing its out-of-area commitments (primarily by negotiating a solution for the Falkland Isalnds), would lead to savings of around 15 per cent of the defence budget. This year's budget is scheduled to be just under £18.5bn, of which 15 per cent would be £2.77bn. Since Trident is expected to cost about £10bn over a number of years, while the cost of the Falklands commitment is related at £800m in 1985-86, falling to £400m in 1988-89, an annual saving of £2.7bn looks very much like wishful thinking.

However, the amount of any savings which would go to strengthening conventional defence would be both partial and temporary. "In the first years of a Labour government, we recognise that some of the funds currently earmarked for nuclear and Falklands spending may have to remain within the defence budget. After a number of years, it will be realistic to expect that most of these savings could be released for use elsewhere."

Over time, the Labour Party's objective would be to reduce British defence spending towards the average level of the rest of Nato Europe; how quickly would depend "to some extent" on trends in the Soviet Union's capabilities. Since Britain currently spends 5.2 per cent of GDP on defence (a level exceeded only by Greece and the US), and since the defence effort of most other Nato Europe countries clusters around 3½ per cent, what is really being proposed is a very substantial cut in defence spending. Perhaps this is a good and sensible policy; it certainly seems monstrous that France and Germany, which are much richer, should spend significantly less on what is after all the common defence. But in that case, the Labour Party should not misrepresent its policy as one designed to *strengthen* conventional defence spending.

The Labour Party talks of defence in alliance terms. But a Labour government which came to power with this kind of defence policy would cause merry mayhem to Nato, and might succeed in destroying it entirely. In purely practical terms, it would be difficult for the US to make alternative arrangements if the UK were out of bounds to all nuclear weapons; not least because other US military installations in Britain might appear to be in jeopardy. The political blow to Nato would be all the greater, since Britain would be repudiating one or the central doctrines of the alliance. Nato survived that kind of repudiation by General de Gaulle in 1966; it is not clear that it could survive the cumulative blow to transatlantic trust of a second such repudiation, by Britain, America's closest ally.

The fate of the recipes offered by the Labour Party and the SDP is not likely to be decided *in vacuo*, let alone on the basis of their objective merits; on the contrary, the reception accorded to them by the voters will be mainly influenced by the feelings they have about the state of the world. If the world starts to feel very dangerous and seems likely to get more dangerous, *and* if it looks like being Ronnie's fault, then the peace movements will get a shot in the arm, just as they did during the first two years of President Reagan's tenure. But if East-West relations seem to be getting a little warmer, or better still if the two superpowers seem to be moving towards some agreement, perhaps on arms control, the peace movements will do less well.

This is what made the sudden eruption of the Daniloff case in the path of the preparations for the second Reagan-Gorbachev summit so very interesting and so very knife-edge. A major row could easily have derailed a meeting whose date and whose agenda had not yet been fixed. That danger elicited manifest signals of anxiety from both capitals.

The paradoxical result is that the Daniloff affair may have made the second summit more likely to take place, but less likely to produce any very startling new agreements on arms control. Until very recently, the Soviet Union was holding back from setting a firm summit date, in the hope of extracting concessions of substance out of Washington; but the more obvious the Russian anxiety to prevent a major row over Daniloff, the less chance they may have of getting President Reagan to make concessions over Star Wars. The Russians have dropped repeated hints that the summit would not really be worthwhile if it did not produce major progress on arms control; but their anxiety over the Daniloff affair shows this to be an empty ploy.

The skeleton of a grand compromise has already been tentatively outlined by both sides: deep cuts in strategic nuclear weapons, coupled to a postponement for several years of any deployment of missile defences. President Reagan would get the credit of a spectacular arms control agreement without having to make a public recantation of his Star Wars dream, while the Russians would get the security of knowing that nothing would be done to deploy this dream until Mr Reagan had long left the political scene. But the more the Russians seem keen to save the summit, the more the President may believe he can have his cake and eat it.

In that case, we may see demonstrated what some commentators have long predicted: that no arms control agreement can be reached so long as President Reagan is in the White House. But this will not necessarily be a cause for alarm, nor of political benefits to the unilateralists, on two conditions: (i) that the Soviet Union sticks relentlessly to its current policy of trying to improve its relations with the outside world, and (ii) that the US administration keeps reasonable control of its anti-communist instincts.

In other words, security in the nuclear age is governed primarily by politics, not by the technicalities of defence policy. The revulsion of the SPD and Labour parties from nuclear weaponry is understandable enough; but their alternative proposals are either absurd or irrelevant.

Lombard

Pots and kettles at Guinness

By John Plender

IN the run-up to the Guinness shareholders' meeting in London last week the air was thick with the familiar sound of Celtic wailing. Scottish fund managers (and a few English ones, too) were loud in their condemnation of Mr Ernest Saunders's failure to honour pledges about the future structure of the board made at the height of the contested Guinness bid for Distillers.

Scottish politicians, annoyed by the chairman and chief executive's lack of despatch in moving Guinness's head office to Scotland, claimed that he had stolen their birthright by plucking Distillers from the home country. Scottish moralists condemned self-regulators south of the border as ineffectual.

Also familiar was the way in which the meeting came and went. The road to this corporate Boot Hill was lined with eager spectators. But as on so many other occasions, the investment institutions somehow melted away before battle was joined.

It was left to Mr Graeme Knox of Scottish Amicable to make the case against Mr Saunders on his own. Mr Knox showed an admirable disinclination to mince his words, accusing Guinness of grossly misleading Distillers' shareholders. But even he rather took the edge off an otherwise heavyweight performance by suggesting after the event, in true institutional style, that this was not quite the forum in which to discuss these things.

Birthright

So meetings, it seems, are simply for small shareholders to let off steam. This they did last Thursday, but not with a view to scalding Mr Saunders. Quite the opposite: they were almost embarrassingly enthusiastic in their support for him.

Shades of Lonrho and the unacceptable face of capitalism in the early 1970s. Just as Lonrho's small shareholders were not remotely bothered about the strictures of Department of Trade inspectors on the way chief executive Mr Tiny Rowland ran their company, so the small shareholders at Guinness seemed sublimely charitable in their attitude to broken promises and the threat to self-regulation. Ironic, given that the self-regulatory system so beloved of the City supposedly exists to protect their interests.

In the circumstances a disinterested bystander might be tempted to throw out the odd question too. Such as, did the Scottish lobby really deserve to keep its birthright? Did the fund managers really deserve better of Mr Saunders and the regulatory authorities in the City of London? And if anything was ineffectual here, was it not the original ownership of Distillers?

Disdain

At this late stage it is easy to forget that the original Distillers management was regarded as arrogant and ineffectual long before the bid fracas was precipitated last year by Mr James Gulliver's Argyll group. Institutional shareholders were slow to make any telling intervention — which leaves a hint of suspicion that the Celts in Edinburgh's Charlotte Square may have been a little cosy in their relationship with fellow Celts at the drinks group.

And it was because the institutional shareholders failed to make a timely attempt to strengthen the management at Distillers that they ended up having to make their Faustian compact with Mr Saunders in the heat of a takeover.

Takeovers are one of the more risky ways of handling corporate problems. In the view of some leading merchant bankers, the success rate in takeovers and mergers is a pretty lowly percentage; successful intervention (witness Turner and Newall) can produce bigger rises in share values. And given the past performance of the owners of the business, is it entirely surprising that Mr Saunders treats them with a certain disdain?

None of this is to condone the way in which Guinness has gone back on its word. Nor should we ignore the difficulty the institutions have in finding better management for a company that is heading for the rocks. But the faults are surely not all on one side.

Letters to the Editor

Crucial Gatt negotiations

From the chief executive, IBM UK

Sir,—The failure of the Gatt Preparatory Committee to reach agreement is a matter of great concern. Continuing uncertainty about the Gatt agenda weakens the prospects for the forthcoming round, and in particular threatens the new issues of intellectual property and the trade-related aspects of international investment.

Despite the valuable work of the World Intellectual Property Organisation, the weaknesses of current international agreements on intellectual property have become increasingly apparent. Foreign counterfeiting and piracy are now seriously damaging the markets for innovative companies and making it ever more difficult to achieve a return which justifies our investment. Legitimate intellectual property-based industries are deprived of export and domestic markets and trade is unfairly distorted.

Likewise, investment restrictions around the world have worsened to such an extent that they severely limit the free flow of investment and seriously distort trade flows. Indeed, the trade effects of such restrictions are comparable to those created by tariffs and non-tariff barriers. To tackle these without addressing investment restrictions is simply to invite governments interested in protectionism to shift their attention from tariffs and non-tariff barriers to regulating international investments. Such policies clearly violate the principles underlying the Gatt.

The discussions on the Gatt agenda are reaching a crucial stage, and there is severe pressure upon the EEC negotiators acting on behalf of the member states to compromise with the hard-line developing countries in order to reach agreement. I believe that the issues of intellectual property and international investment are so important, and the opportunity provided by the Gatt round so unique, that the UK Government should resist every move to surrender these particular objectives.

A. B. Cleaver,
PO Box 41, North Harbour, Portsmouth.

Rolls-Royce gearboxes

From Col F. A. N. Hick, OBE

Sir,—Stuart Marshall's article (September 6) on the Mercedes-Benz 560 series is quite unjustified in its implied criticism of the Rolls-Royce policy on automatic gearboxes.

The 6.25-litre V8 engines in the Silver Cloud series drove through four-speed automatic boxes designed, *inter alia*, to reduce hydraulic loss by transmitting a substantial fraction of the power mechanically. Later, a three-speed box was developed as an improvement. There is no question of Rolls-Royce "making do" with a three-speed box.

Another point that hardly inspires confidence is the assertion that, because of its smaller mass, the Mercedes obviously has a much higher top speed. Mass, per se, can affect top speed on the level only as a consequence of increased rolling resistance. I would have thought that few, if any, of your readers would have a quantitative appreciation of this effect on their fingertips.

Otherwise, quickness off the mark, synonymous with acceleration at low speeds and low wind resistance is, for a given thrust, approximately inversely proportional to mass.

Nigel Hick,
Autoprod Computer Graphics,
128, Kidbrooke Park Road, SE3.

British Telecom's public relations

From the Financial Director, Macbar Holdings

Sir,—Your Men and Matters columnist has been critical recently of British Telecom's corporate relations department, and, as a consequence has brought Mr Iain Vallance running to its defence (September 8).

Whatever the rights and wrongs of their debate may be, however, it seems as though they have not eradicated all of the old day-to-day *public* relations problems. During the first week of September, two of my colleagues reported to me that their private telephones had been cut off. An examination of our records revealed the accounts to have been paid in good time and, indeed, on September 5 we received an apology from BT which blamed its computer. By this time each line had been reconnected.

The following day, one of them was cut off again. Two days later, we received yet another apology (from a different person).

One was hopeful that privatisation would lead to an increase in BT's efficiency, but it seems as if the reward for paying ever-increasing telephone bills is the same old shabby treatment as before.

H. I. Thorgood,
15 Nesfield Rd,
Poole, Dorset.

Keep it short

From Mr G. Marlow

Sir,—I wonder how many people realise that from November 1 1986 the cost of a 10-minute local call between 8 am and 1 pm will be over 50p.

To disguise this as a reduction must surely be one of the greatest hypocrisies of recent times.

George Marlow,
Wolram Ltd,
4, Nassington Rd,
Hampstead, NW3.

Food in wrong places: squaring a vicious circle

From the Chief Natural Resources Adviser, Overseas Development Administration

Sir,—Your leading article (September 4) deserves amplification.

You compare and contrast the deficiencies in food production in Africa with the food surpluses of the industrial world. You suggest that it is poverty and not lack of supplies of food which is causing hunger. You reject the facile answer of recycling to the south the food surpluses of the north. You underscore the need for agricultural policy reform in Africa and the importance of a reasonable financial return to farmers. With all this I agree.

I am not so sure about your criticism that research has been poured into what you term high input, large-scale farming systems. Research is more neutral to scale than is often recognised. The work of the West African Cocoa Research Institute and the oil palm research station in colonial times in West Africa produced results which laid the foundation for the prosperity of both small and large-scale farmers. The work of the Jacaranda station in Kenya on coffee and the tea research institutes in Kenya and Malawi is as important to smallholders as it is to estates.

There is an equally good record on food crops ranging from the work of Storey on cassava mosaic over 40 years ago in what was then Tanganyika, through Doggett's sorghum work in Uganda, to the outstanding efforts of Kenyan and Zimbabwean research workers on maize — including 25 years ago the breeding of an early maturing variety particularly for small farmers in Kenya.

May I, with you, welcome the UN Food and Agriculture Organisation report and the willingness of African governments and donors alike to be frank about past failures. It might be helpful to "flesh out" their joint decision to give agriculture absolute priority. I see the need for a short-term concentration of efforts on the better farming areas of Africa to ensure that their production is expanded to meet the growing needs of the towns, to feed those vast areas of the continent where, in the absence of irrigation development, crop production is high risk.

To make the marginal areas more self-sufficient requires population planning, possibly out-migration, and certainly research. All this will take time. The mothers of the next generation are already born; there are political restrictions on mobility, and the agricultural research required is a long-term proposition.

At the end of it all, the deprived areas will remain deprived and will continue to require assistance from the more favoured areas. The aim must be to create in them the power to purchase food through imaginative work programmes designed to decelerate the devastation of their fragile environment. Opportunities must be sought from conservation works, particularly water and forestry, in livestock marketing to exploit their major asset, and the development of agro-industries based partly on imported (from local sources) raw materials. All this will require a transfer of wealth, in the first place from aid donors but eventually from the more favoured farming areas within the countries affected.

One of the reasons why Africa remains hooked on food aid is that it allows it to put aside the problems of the lack of purchasing power in its poorer areas. Food aid deprives its farming areas of a market for their food surpluses, farm prices become depressed and farmers look for other opportunities. This vicious circle must be squared.

A. T. Wilson,
Eland House, Stag Place, SW1.

FINANCIAL TIMES
Monday September 15 1986

Roderick Oram on Wall Street

Flawless handling of 'disaster'

WHEN Mr John Phelen, chairman of the New York Stock Exchange, was invited to Vienna a while ago to talk about Black Thursday he assumed his hosts meant Black Tuesday so he expounded on the dark day in October, 1929, when Wall Street crashed.

It could never happen like that again, he assured them. The market was no longer dominated by small investors forced in a downturn to dump stocks to meet margin calls.

Ah, yes, but what about Black Thursday, the hosts persisted, that calamitous day when the Viennese market collapsed in 1873?

With fear of financial ruin a universal instinct, it was hardly surprising that the media descended on Wall Street last Thursday as the Dow Jones industrial average was free-falling to its greatest daily loss in value in 24 years.

Outside broadcast trucks encircled the NYSE's landmark building at 11, Wall Street. Among the throng of reporters outside, a gentleman from the Daily News declared his speciality. "I cover murders and disasters. I guess this is a disaster."

Twenty-four hours later, after a second day of further losses and even more frantic trading, Mr Phelan held a news conference. "Volatility is a fact of life in international markets," he said. The good news, "if there is any," was that the stock exchange's systems had handled flawlessly the record volume of 240.49m shares.

"What reassurance can you give the small investor?" barked the first questioner.

"Among the many burdens of the chairman of the exchange," replied Mr Phelan, "one is not having to predict whether the market will rebound."

Some reassurance came over the weekend as almost to a man and woman analysts termed recent events which have pushed the market down 8.4 per cent from its peak in the last six sessions, a "correction."

How sharp and how long, however, was open to wide opinion.

But the overriding message was clear: the market had spooked itself. It collapsed for largely technical and psychological reasons divorced from economic reality. Soon it would regain its poise.

For one 35-year veteran of the market, last Thursday had been the worst day of his professional life since May 25 1962, when the market slumped 5.7 per cent. Then and last week the market panicked for little apparent reason. Last Thursday it was rumours of a shockingly inflationary burst in retail sales.

Twenty-four years ago, President John Kennedy had made angry midnight telephone calls to steel industry leaders trying in his profane, Irish-American one-of-the-boys style to shame them out of price rises. The market promptly lost 25 per cent over the next six weeks, the veteran recalled.

"I've been through these before and they're always very scary." He lost money last week performing his "specialist" role of trying to smooth out trading in the dozen of stocks listed on his post.

"Show me a guy who's not worried and I'll show you a guy who's about to get murdered – whether he's long or short."

He tried to take his mind off things on Saturday in suburban New Jersey washing and vacuuming his car and changing a turn signal light bulb.

Homicidal tendencies ran rampant on Friday on the exchange floor, particularly among the hollering, frenzied denizens of the futures pit, recounted one raspy-voiced stock index futures trader. Mistakes multiplied and tempers flared.

"People were on the brink of fisticuffs several times. We were all terrified of physical contact because of the consequences – suspension, $1,000 fines or even disbarment for persistent offenders."

For therapy, the trader went home and resealed his asphalt drive. It was a messy job "pushing the gunk into all the cracks." But at least "nobody could get near me."

So perhaps it was physical and emotional exhaustion as much as anything else – in contrast to the faultless performance of the Big Board's computers – which brought some stability to the market Friday afternoon.

It steadied around 30 points down on the day as trading backed off from the scorching morning pace and volume coasted to its second record in as many days.

Buyers were more evident and by the close declining shares outnumbered rising by only four-to-one compared with the nerve wracking odds of 10-to-one on Thursday.

With the experience of 35 years on the floor, the veteran specialist said: "When greed overcomes fear, the market eventually goes with the underlying value."

Political "virgins" turn wiser but future still uncertain

UK Social Democrats soldier on

BY MALCOLM RUTHERFORD IN HARROGATE

THE BRITISH political party conference season opened at the weekend with the Social Democratic Party meeting in the attractive Yorkshire spa town of Harrogate. So far there have been no fireworks, no standing ovations, only what Mr John Cartwright MP, the party's spokesman on defence, called the "sane, sensible debate of complex issues that you would expect from the SDP." In truth, it has been rather dull.

Five years ago, when the party was founded to "break the mould" of Britain's two party political system dominated by the Conservative and Labour Parties, it was very different. Conferences were peripatetic. The followers moved about the country in trains, which sometimes broke down and whose buffet cars were liable to run out of food and drink. The local attendance where the train came to rest was often thin. It was a conference made up of political breakaways from the Labour Party, followed by the media, looking for an audience. The first SDP supporters from the local parties tended to call themselves "political virgins," never having belonged to any party before.

Nowadays it is altogether more professional. SDP conferences have become bigger and better organised. Yet the party still has only seven MPs in a House of Commons of 650 members. It depends on its partnership with the Liberals who had been in the game of third-party politics much longer but never with the effect of West Germany's Free Democrats, who have consistently held the balance of power in recent years.

And that is what the Harrogate conference is all about. Can the Social Democrats and the Liberals, who are already in an alliance with a capital A, become a credible third – or even first – force by the time of the next general election?

The omens are contradictory. The election must be held by the summer of 1988 at the latest, but nobody yet knows when it will be. Opinion polls suggest continual fluctuations in party support, although taken together with the evidence of by-elections, in which the Alliance generally does well, they point to a fairly even three-way split.

Mrs Margaret Thatcher and the Conservatives have hardly ever fallen below 30 per cent in the polls, which is not too bad for a government midway through its second term in office. The Labour Party, even under the leadership of Mr Neil Kinnock, has scarcely ever risen above 40 per cent, a performance which is probably not good enough to guarantee an overall majority in Parliament. The Alliance tends to pick up around 30 per cent, though a poll last week put it down to 24 per cent.

Sentiment among Britain's 42m voters can change very fast, however, and be influenced by unforeseen events. Shortly after the SDP was founded, Mr Roy Jenkins, the former Labour Chancellor of the Exchequer, ex-president of the European Commission and the father of the Social Democrats, won a spectacular by-election victory in Glasgow and the new party seemed to have the country at its feet.

The Falklands war broke out and Mrs Thatcher's popularity recovered dramatically. The Conservatives called an early general election in 1983 and won hands down. Under the British electoral system of first past the post, or winner takes all, the Alliance won 26 per cent of the vote, but only 23 seats. The Labour Pary won just over 28 per cent, but with its northern and inner city strongholds over 200 seats.

This was a disappointment for the Alliance, but paradoxically it seemed that it was the Labour Party that was on the way out. Labour's share of the vote had been falling almost continuously since 1951 as the electorate ceased conform the working class stereotype. Many commentators said that it was going the way of the French Communist Party.

Then Labour revived by electing a new young leader in Mr Kinnock, who has since stolen many of the Social Democrats' clothes by modernising his party's organisation and dropping some of the old socialist policies like nationalisation.

The Alliance meanwhile has had problems of its own. Some of its supporters think that the Liberals and Social Democrats should merge to form a single party. They are opposed by Dr David Owen, the former Labour Foreign Secretary who succeeded Mr Jenkins as SDP leader.

There will be no merger this side of a general election, though it looks from Harrogate as if the two parties are overcoming their outstanding differences on defence policy and will agree to keep some kind of British nuclear force. Both Mr David Steel, the Liberal leader, and Dr Owen say that they have more in common on all aspects of policy than either the Labour or Tory parties, which are themselves coalitions.

For Mrs Thatcher, however, there may be one consolation. Labour and the Alliance are fighting each other quite as much as they are fighting the Tories. Under the British system that could let her back for a third term.

SDP party conference, Page 7

Fresh call for co-operation in regulating futures markets

BY ALEXANDER NICOLL IN LONDON

THE BANK OF ENGLAND issued a new warning on the need for greater co-operation in the regulation of international futures markets at the weekend.

The Bank has called repeatedly for increased co-ordination between regulators in the face of rapid internationalisation of financial markets. One of the first steps is expected in the next few days when the US and Britain sign an accord curbing market abuses, such as insider dealing, and providing for exchanges of information between regulatory authorities.

Mr Christopher Farrow, an assistant director of the Bank overseeing UK futures markets, called, however, for far more extensive measures addressing the risks to the world's financial system which could be created by the inter-relation of markets around the world.

Speaking on Saturday at a futures industry conference in the Swiss mountain resort of Bürgenstock, Mr Farrow said: "Adequate capital and liquidity rules for firms taking positions in various markets and in various currencies need to be agreed.

International firms operating in the futures and options markets should be assessed for capital adequacy on their worldwide portfolio position, Mr Farrow said. "It would be easy to offset capital requirements in one market by undercapitalising in other less well regulated markets."

Central banks needed to ensure the health of such firms because "crisis in any single financial market is likely to impinge on other markets, and in particular to be transmitted to the banking system."

The warning came as futures exchanges around the world prepare for a series of international link-ups which will make many of their contracts interchangeable – meaning that positions built up in one timezone are passed on to the next, creating round-the-clock markets.

The agreement between the UK and US governments is expected to pave the way for links between London exchanges and markets in Chicago, Philadelphia and New York. A futures link between London and Sydney is also due to begin next month.

Like the US Federal Reserve Board, the Bank of England has supported the development of financial futures and options as means of managing and transferring risks incurred in securities and currency markets.

Mr Farrow said the next growth phase for futures markets could come from the area in which they originated: commodities, which have been supplanted by financial instruments as the main source of futures business. Futures exchanges, he said, should develop more efficient mechanisms allowing commodity producing countries to stabilise their income by hedging.

This could be done by developing liquid markets in longer-term futures contracts than are currently available. Producers would then be given assistance by international financial institutions to help finance the short positions they took on in the futures markets to hedge their export income.

International commodity agreements had failed to produce the price stability for which they were intended, Mr Farrow said, setting excessive buffer stock prices and causing over-production. The futures industry could provide an alternative for primary producing countries just as it had traditionally done for domestic agricultural producers.

Gatt's gamblers lose to hotelier

Continued from Page 1

tionist revival and a possible 1930s style depression.

For Mrs Merlo, ensconced in her office off the armour-bedecked hall, between the panelled studies of Mr Arthur Dunkel, the Gatt director general, and Mr Enrique Iglesias, Uruguay's Foreign Minister, the talks are now focusing on the terms and conditions under which Coca-Cola will be allowed into the conference room.

The pressure is on. Failure to reach an agreement on the world economy before the scheduled end of the meeting next weekend will inevitably provoke the opening of a new San Rafael round over rental of the hotel.

In Gatt language this kind of connection between seemingly unrelated topics is known as "linkage." Tariffs are something hoteliers know all about, and unscheduled conference dumping is likely to attract a heavy one.

Outside the smoke-filled rooms the delegates are doing their best to wake up a town usually in deep hibernation at this time of year. In high season, Punta del Este plays host to some 250,000 largely Argentine holidaymakers, but now the population is barely 10,000.

The shopkeepers and restaurants that have reluctantly opened their doors seem sceptical, however, as to whether their guests will come across with the free exchange of goods and services – a Gatt euphemism for dollars – to which both parties have dedicated their working lives.

Uruguay expects every Gatt-man to do his duty. With a population of just 3m, both gross domestic product and foreign debt running at about $5bn and inflation of some 50 per cent, it is fond of foreign exchange.

In fact, the economics of the conference reflect the commercial problems of a rural economy.

Much, perhaps almost all, the equipment, from Argentine plastic tents to US translation gear and Canon photocopiers has had to be imported at a total cost of some $1m. Only if each delegate spends in a week the Uruguayan average annual per capita income of $1,400, will the event make a profit.

The charming, modest Uruguayans will apologetically inform enquirers that even the conference itself was foisted upon them by complex international politics. "We didn't fight for it," said Foreign Minister Iglesias. "It only came to us after Montreal and Brussels had cancelled each other out."

Given these circumstances, and, of course, Mrs Merlo, it is hard to fault the organisation. Even the irritatingly heavy-handed 600-man security is an imposition of not Uruguayan but Western requirements – a compulsory restraint arrangement in fact.

Yesterday, to an outsider, the talks in the corridors sounded like a computer trade fair. Delegates argued interminably about the relative merits of, for example, W47REV2. Not, it turned out, a new silicon chip nor a car engine oil, but yet another political compromise.

Another question much under debate was what the imminent trade round should be called. Even the Uruguayans think Punta del Este sounds too clumsy. "Round and round," suggested an exhausted Gatt organiser. "The final round," chipped in a pessimist.

"Whose round?" proposed a merry delegate at the hotel bar.

Back in her lair, Mrs Merlo was awaiting the US delegation. 70 functionaries and three ministers all told, who, like royalty, have staged their arrival for the very last minute.

The most senior Americans are staying in the San Rafael itself, and one can only hope they have been forewarned.

If they fail to blast their Third World opponents into submission by next weekend, it is feared that neither the Uruguayan Government, nor the secret service nor the entire US Atlantic fleet could prevent Mrs Merlo from hurling them bodily out into the driving wind and the rain.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Dubrovnik	S	27	81	Malta	–	–	–	Rhodes	S	30	86
Algiers	S	34	93	Edinburgh	S	12	54	Manchester	C	14	57	Rio de J'o	S	33	91
Amsterdam	C	15	59	Faro	C	24	75	Manila	S	34	93	Rome	S	27	81
Athens	S	29	84	Florence	F	25	77	Melbourne	C	14	57	Salzburg	C	22	72
Bahrain	S	33	91	Frankfurt	F	21	70	Mexico City	S	27	81	San Francisco	S	14	57
Bangkok	S	34	93	Funchal	C	23	73	Miami	S	25	77	Seoul	C	26	79
Barcelona	F	27	81	Geneva	C	22	72	Milan	F	24	75	Singapore	C	30	86
Beirut	–	–	–	Gibraltar	S	22	72	Montreal	S	7	45	Stockholm	F	13	55
Belfast	F	13	55	Glasgow	S	12	54	Moscow	F	13	55	Strasbourg	C	20	68
Belgrade	S	29	84	Guernsey	D	14	57	Munich	R	18	64	Sydney	–	–	–
Berlin	F	21	70	Helsinki	F	12	54	Nairobi	C	23	73	Taipei	C	35	95
Biarritz	S	29	84	H. Kong	F	31	88	Naples	S	29	84	Tangier	S	26	79
Bombay	F	29	84	Innsbruck	S	24	75	Nassau	C	32	90	Tel Aviv	S	30	86
Bordeaux	F	27	81	Inverness	C	9	48	New Delhi	S	32	90	Tenerife	S	27	81
Brussels	C	18	64	Islamabad	C	34	93	New York	S	14	57	Tokyo	C	23	73
Budapest	S	27	81	Istanbul	S	25	77	Nice	S	25	77	Toronto	S	5	41
B. Aires	–	–	–	Jakarta	R	30	86	Nicosia	S	35	95	Tunis	F	30	86
Cairo	S	35	95	Jersey	C	15	59	Oporto	R	23	73	Valencia	S	29	84
Cape Town	F	20	68	Jo'burg	–	–	–	Oslo	C	11	52	Venice	S	23	73
Caracas	C	27	81	Lima	–	–	–	Paris	C	21	70	Vienna	F	24	75
Casablanca	S	24	75	Lisbon	R	20	68	Peking	S	25	77	Warsaw	C	13	55
Chicago	C	14	57	London	C	13	55	Prague	C	20	68	Washington	–	–	–
Cologne	R	20	68	Los Angeles	C	29	84	Reykjavik	C	7	45	Zurich	C	20	68
Copenhagen	R	11	52	Luxembourg	C	18	64								
Corfu	S	29	84	Madrid	F	25	77								
Dallas	C	23	73	Majorca	S	28	82								
Dublin	S	12	54	Malaga	S	25	77								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US, EEC and Japan strive for Gatt unity

By William Dullforce in Punta del Este

THE US, the EEC and Japan are determined that differences over farm export subsidies or trade in services will not prevent the opening later this year of international negotiations to remove barriers to world trade.

This was the message from officials of the world's three biggest trading partners as trade ministers from more than 90 countries arrived yesterday at Uruguay's rain-soaked resort of Punta del Este.

Mr Julio Sanguinetti, Uruguay's President, will open this afternoon the week-long meeting at which the ministers are due to agree on the wording of a declaration launching a new round of trade talks under the General Agreement on Tariffs and Trade (Gatt), the contract governing world trade.

The disagreements over farm products and Japan's huge trade surplus which still divide the big three at a meeting in Sintra, Portugal, earlier this month are being played down by officials from all three camps.

EEC officials estimate that 55 of Gatt's 92 members are now ready to back the draft declaration prepared in Geneva by Colombia and Switzerland.

It is far from sure, however, that the ministers will have a problem-free passage. Brazil and India, which lead the 10 hardline developing countries opposing the extension of Gatt to new areas such as services, intellectual property and investment, have not backed down.

In addition, the self-styled "free-trading" farm exporting countries warned yesterday that the text prepared represents the "absolute minimum" that they could accept.

Mr John Dawkins, the Australian trade minister leading the 14-country coalition, said after a caucus meeting yesterday: "Our preferred position is to see improvements, but we are here in a negotiation and we are prepared to enter a discussion."

Retaliation call in 'spy' case

Continued from Page 1

Senator Lugar's remarks, which were echoed by Senator Daniel Patrick Moynihan (Democrat), reflect a deepening anger in the US at the way the Soviet Union has handled the Daniloff case, and mounting criticism of the Administration's position.

There is a growing perception that Moscow is testing the Reagan Administration's resolve as the super-powers edge towards a possible summit meeting and a fear that, in spite of its protestations to the contrary, the US is shifting towards tacit acceptance of the apparent Soviet position that Mr Daniloff is a spy and his case a direct parallel of the case of Mr Genadi Zakharov.

Mr Zakharov was arrested on espionage charges in New York in August, just a few days before Mr Daniloff was arrested on what the US maintains were "trumped up" allegations.

On Friday both individuals were released into the custody of their respective ambassadors to await trial.

THE LEX COLUMN

Three French musketeers

This will be an exceptionally anxious morning for jobbers, and for others who were left on the wrong foot over the weekend. Thoughts of marking stock higher in hopes of turning the market will be discouraged by Friday's experiment. But to mark prices lower might provoke a rout.

French privatisation

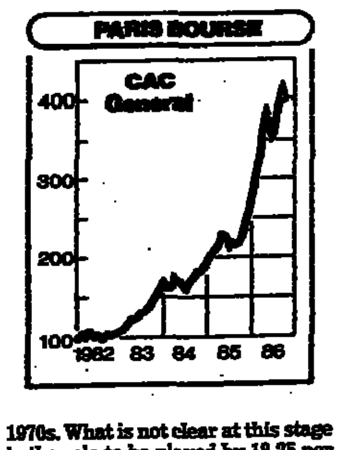
The 3 per cent fall in the Paris equity market on Friday may have occurred in the best of international company, but that will be no comfort to a government which will present its 1987 budget today and is lining up its first corporate candidates for public sale. This year's biggest one-day fall on the bourse, at the end of May, followed on a bout of market indigestion at the sheer volume of non-voting paper being issued by the nationalised banks; but the FFr 8bn raised in May pales beside the call on the market implied by the sale at the turn of this year of Paribas, Saint Gobain and Assurances Générales de France.

The French denationalisation plan was always going to be a stupendous exercise in corporate finance: on the roughest of sums, equity equivalent to a third of the current bourse capitalisation is likely to be on offer over five years. Mr Balladur has prudently chosen as trailblazers three companies, which even aside from their prospective heavy weight in the Paris index, are among the most attractive in the bunch.

For the two financials, there is likely to be strong foreign demand. Paribas lays claims to be the premier financial institution of France, well-capitalised, tilted towards commission business rather than low-margin lending and handily positioned for the deregulation and denationalisation games. AGF is riding rapid growth in the French life industry and carries the usual takeover interest.

As for Saint Gobain, it has used its period in state hands for a complete overhaul and will this year see a spurt in profitability from lower input and interest costs.

On the crude basis of their non-voting shares (or, in the case of AGF, employee shares) in issue, the three would command a market value of considerably over FFr 50bn, nearly half the expected budget deficit next year or the equivalent of the entire market at the end of the



1970s. What is not clear at this stage is the role to be played by 18-25 per cent of the companies' equity already floating about.

Assuming that the non-voting shares can be converted into ordinaries, possibly at a premium, an allocation of 10 per cent to employees and initial foreign interest rising to the 20 per cent limit, the call on French institutions and unit trusts could probably be met even alongside issues from the likes of Air Liquide or Elf that may be absorbing as much as FFr 10bn a month.

Of course, if the market does not hold up, the pricing of AGF and Paribas will have to be doubly cautious; financial companies geared to the good performance of the stock market must expect to suffer a greater discount than the market as a whole.

Investment trusts

The real cream on the top of holding investment trust shares is delivered when a bidder offers to take them out at asset value. The average discount to assets is now around 22 per cent, so a cash offer close to net asset value, such as Philip Hill Investment Trust's holders recently received, gives a smart profit. And when that profit is recycled into the sector, again at a discount, the investor bumps up the yield on his original money. It is just a matter of picking a trust likely to have its assets unlocked.

So it comes as a surprise when an investment trust's shareholders turn down an offer, as Berry Trust's have just done. The simple explanation was that the bid from Ensign Trust, with a cash alternative at 92 per cent of net asset value, was just too mean to be attractive. But beneath that surface far more complex issues were at stake.

It was clear at an early stage of the bid battle that whoever gained control of the 28.9 per cent stake in Berry held by the over-stretched UK Provident Institution would probably win. UKPI decided to sell to a group acting in concert with GT Management and to some other parties, at a price around 273p. GT, which manages Berry Trust, is a company in which UKPI had a stake. Those purchasers, described in a Berry defence document as "institutional investors," intended to refuse the bid, knowing that the Berry share price would fall if the offer lapsed. It closed on Friday at 248p.

GT Management itself invested £5.5m of its shareholders' money in Berry, and should be seeing a loss of around £500,000 on the shares – a sum equivalent to the annual revenue from the management of the trust which it will now keep. In addition it has helped to protect itself, as Berry held an 11.7 per cent stake in GT. The US Debenture Corporation, another trust managed by GT which also holds GT shares, was a buyer of Berry shares too. The GT directors on USDC's board abstained from that decision.

Outside the concert party, Save & Prosper also bought Berry shares from UKPI. It was prepared to suffer a loss because it felt the need to protect the investment trust industry in view of the £300m it has invested in trusts. Save & Prosper thought the sector would be damaged if a bidder won with a low offer, and by the weakening of a trust management group.

While Save & Prosper might be stretching its argument a little far, GT is steering a very narrow course through rocky conflicts of interest. One wonders if all shareholders of GT and USDC are equally convinced that their money was used to protect their own and not just directors' interests. The whole story appears to demonstrate an unhealthy degree of in-breeding in the sector between investment managers and the trusts, often backed by cross-directorships. And in this case the bidder is not immune – Ensign is 80 per cent owned by the Merchant Navy Officers' Pension Fund and has a subsidiary which manages that pension fund as well as the trust. Outsiders considering investing in trusts should evidently forget the discount and consult the Directory of Directors.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday September 15 1986

EURONOTES AND CREDITS

Dome plans debt restructure linked to oil price

BY PETER MONTAGNON IN LONDON

DOME PETROLEUM, the troubled Canadian oil group, has put its banks into a fresh quandary.

Early this week it is due to inform them of new plans to restructure its C$6bn (US$4.3bn) debt that will include a proposal to convert a substantial proportion of their loans into securities whose value would be linked to the price of oil.

This is peculiarly reminiscent of the approach adopted by Mexico, another major borrower dependant on oil although there is a big distinction in that Mexico is a country and Dome a commercial company.

Traditionally the treatment of countries in trouble with their debts is different from that of companies for the very simple reason that countries cannot be put into liquidation. When they are actually staring losses in the face with a corporate borrower, banks are sometimes prepared to do things to help – like restructuring interest payments – that would not be considered in the case of a country.

Yet there is little doubt that any concessions granted by its creditors to Dome would not escape the beady eye of Mr Angel Gurria, Mexico's canny debt negotiator. Mexico's creditor banks have firmly rejected the idea of linking debt service payments to the oil price, but if Dome's creditors were to react differently a precedent could be created which might allow him to ask them to think again.

At the moment, it is hard to guess what Dome's bankers, never a particularly united group, will do. What is clear, however, is that there is a strong aversion in the banking community to the type of debt rescue that links the price of loans to an individual commodity whether the borrower is a corporation or a sovereign state. Quite simply the idea is alien to commercial banking.

In the first place it means that the risk run by the banks is transferred away from the debtor, which they feel they can to some degree control, to a volatile commodity price which they cannot control. Then there are all sorts of technical problems:

● How does a bank fund such a loan or security which is not yielding a normal rate of interest?

● How does it account for such an asset in its books and can it do so without being required by the regulatory authorities to write down its exposure?

All this may explain why there are few if any precedents for the type of debt exchange that Dome is proposing. For lenders there is another drawback in that they might lose the comfort they now have from knowing that their loans are secured against Dome's assets. Taken together these factors should mean that Dome's proposals receive an initially frosty response.

Yet the company's hand is not necessarily as weak as might appear. Mr Howard Macdonald, its chairman, remarked last week: "It's the banks that have the problems. Dome has the solution." Tough talk for a company which needs an oil price of US$25 a barrel to break even, but the ultimate card is liquidation and that might hurt creditors even more.

One advantage of an exchange of debt for oil-related securities such as Dome is expected to propose is that it preserves what one Canadian banker called last week "lenders' upside potential." If the downside really does look bleak, then lenders' resistance might crumble. Then the precedent would be there for all to see.

Activity in the Eurocredit market continues at a low ebb, but Time Inc of the US has launched a $250m, five-year loan facility through Swiss Bank Corporation. This is its first Euromarket borrowing and the terms include an annual commitment fee of 7½ basis points. Drawings on the standby credit portion will bear interest at a margin of 1/16 per cent over Libor.

BankAmerica Capital Markets is leading a $800m facility for Walt Disney of which $350m will be underwritten. The facility fee is ¼ per cent. Drawings will bear interest at a margin of ¼ per cent and there is an additional utilisation fee of ¼ per cent if they exceed half the total amount.

Samuel Montagu is arranging a £250m uncommitted tender panel facility for Abbey National Building Society, while Malaysia's latest credit has been increased to $500m from $350m. With a number of mandates still in the pipeline Algeria has joined the list of borrowers seeking a major loan facility.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	1,983.1	0.4	5,212.9	2,306.2
Prev	2,805.6	0.2	141.0	2,712.8
Other	138.4	—	529.9	44.1
Prev	380.9	—	—	73.8
Secondary Market				
US$	24,729.1	1,210.8	19,205.2	5,436.7
Prev	22,898.1	1,346.0	13,068.6	7,499.8
Other	8,642.7	96.2	2,092.3	3,993.7
Prev	10,075.2	121.6	1,670.3	3,952.6

	Cedel	Euroclear	Total
US$	14,817.8	45,545.5	60,182.5
Prev	13,701.3	36,771.8	50,473.1
Other	7,342.3	8,093.0	15,435.3
Prev	8,065.9	8,128.5	16,194.4

Week to September 11 1986 *Source: AIBD*

'Armed truce' in Montedison deal

BY ALAN FRIEDMAN IN MILAN

ITALY'S Montedison affair, which has set leaders of the Italian financial establishment against Mr Mario Schimberni, the Montedison chairman who last month purchased an equity stake in a Florence insurer without first informing his shareholders, reached a deadlock at the weekend when a meeting between the two sides ended without a firm conclusion.

At Consob, the stock market regulatory agency, Mr Franco Piga, the Consob president, said the issue was not for the authorities but for Montedison shareholders to discuss. Last night observers in Milan said an "armed truce" had been agreed for the time being but that the "war" between the Agnelli-led establishment and the maverick Montedison chairman would soon enter a new phase.

In Rome yesterday the dispute took on a political dimension with a number of leading politicians and even Cabinet Ministers entering the fray. Mr Claudio Martinelli, vice secretary of the Socialist Party of Mr Bettino Craxi, the Prime Minister, appeared to favour Mr Schimberni by saying the affair showed companies were no longer under the control of Italy's old families.

He was referring to Mr Enrico Cuccia, the 78-year-old veteran at Mediobanca – the Milan merchant bank which is a Montedison shareholder – who had demanded the meeting with Mr Schimberni and others to rap the Montedison chief over the knuckles for not respecting the rules of the "shareholders' control syndicate." Mr Cuccia believes the syndicate should be able to dictate Montedison policy.

The nominal issue concerned Mr Schimberni's purchase last month for L740bn ($529m) of a 12.4 per cent shareholding in La Fondiaria, the Florence insurance group. In doing so, Mr Schimberni also obtained a share stake in Mediobanca larger than the holdings in the bank of Mr Gianni Agnelli, Fiat chairman, or other leaders of Italy's traditional establishment.

INTERNATIONAL BONDS

Floating rate market runs scared after selling spree

BY CLARE PEARSON IN LONDON

"THIS IS the worst day I've seen in a year," said one floating rate note (FRN) dealer last Thursday as dealers slashed prices by as much as 40 basis points in feverish selling.

The selling wave began in the fixed rate market as fears of inflation escalated. It spread to the FRN sector as underwriters, overloaded with recent paper, struggled to take profits where they could.

By Friday morning the FRN market was running scared and many market-makers were refusing to join in altogether. Some were not answering their telephones while others were sharply reducing their dealing sizes and widening bid-offer spreads.

The major players meanwhile exhorted the others to stand up and face the fray. "You have to trade your way out of the grave," said one dealer, arguing that the only survival course was to keep up the market's liquidity.

By late morning the darkest hour was over. Bargain-hunters started picking up the cheap stocks, bringing the other players back in.

In the aftermath underwriters will have nagging worries about the value of recent FRNs. Inflationary fears should in theory leave the FRN market much less hard hit than the fixed rate market. Indeed, it can be a haven for investors who fear rates have struck their lows.

But the FRN market has been getting ahead of itself in recent weeks, pricing issues for sovereign borrowers at record interest rate lows and in record volume. London interbank offered rate, the traditional rate at which issues were priced, has long since been abandoned. Now new issues even come below London interbank bid rate (Libid).

In theory investors should be takers of sovereign paper at these rates as an alternative to investing in commercial paper or US Treasury bills.

But investors seem slow to catch on to the logic of this argument and some recent Libid-priced issues are still hanging around on underwriters' books. This overhang of paper contributed in no small part to last week's price collapse.

The jury is thus still out on Libid-related pricing. Credit Suisse First Boston's issue for Quebec, priced with a Libid coupon, probably never traded within its fees last week. On the other hand, the market still saw enough value in the UK's $4bn FRN, with a coupon set ⅛ point below Libid, for it to fall less than the FRN market as a whole on Thursday and Friday.

Last week's capricious twists and turns in the US Treasury bond market found their imitators in the fixed rate Eurobond market. But selling did not parallel the FRN market because the fixed rate market has been trading very thinly for weeks.

Barely a fixed rate Eurodollar deal emerged, although a short-lived opportunity opened up on Wednesday morning to slip in a couple of deals. The window proved treacherous, however, especially for Sweden's tightly-priced five-year 7 per cent issue.

Japanese issuing houses have found the solution to the disappearance of the Eurobond investor in targeting deals at specific investors back home. A welter of deals aimed at Japanese life insurance companies kept issuing volume buoyant in the Euroyen market last week.

These issues pay coupons at unusual high levels and are priced at over 100 but are repaid at par. They attract insurance companies which may allot only income gains for dividend payments to policyholders. They also come in handy for offsetting against capital gains accumulated on other investments.

The Ministry of Finance is known to be concerned about this use of the Euroyen market. But Nomura International at least seemed on Friday to be unworried about this, launching two more high-couponed bonds.

Bonds in the D-Mark sector lost about 2 points in price last week and longer-dated issues were especially hard hit. A 10-year deal for Lufthansa was quoted at 95 on Friday.

Meanwhile in Switzerland bond prices also fell as short-term rates firmed. The European Investment Bank postponed a planned SFr 200m issue because of the unstable conditions.

Texas Air amends deal with Pan Am shuttles

BY RODERICK ORAM IN NEW YORK

TEXAS AIR has amended its deal with Pan American World Airways to improve competition on shuttle services in the north-eastern US in the hope of receiving government approval for Texas Air's merger with Eastern Air Lines to create the largest US airline.

Pan Am will pay Texas $62.8m for enough takeoff and landing slots to allow it to offer 15 hourly roundtrip services a day between La Guardia airport, New York, and National airport, Washington and Logan airport, Boston, in competition with Eastern.

A less comprehensive earlier deal valued at $65m was rejected by the Department of Transportation because it failed to guarantee sufficient Pan Am flights.

The latest transaction "fully meets the criteria for hourly service that the DoT required in its previous order." Texas Air said. We believe that the DoT can complete the approval process by October 1."

Meanwhile, Eastern has filed with the Securities and Exchange Commission proposals for three secured trust certificates. Through these instruments backed by a pool of used Eastern aircraft, the financially pressed airline hopes to raise $500m.

The money would be used in part to pay expenses associated with the takeover by Texas.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Bond market rout marks shift in psychology

WHILE ALL EYES were on the US stock market last week, where close to $200bn was wiped off share prices in record trading volume, investors in the US credit markets fared little better and for the second week running saw the value of their bond portfolios drop sharply in highly volatile trading.

Bond prices started the week by falling for the fifth day in a row, rebounded on Tuesday and slumped again on Wednesday. The mere whisper, on Thursday, that the August retail sales figures might be much higher than expected was enough to send the bond market into a tailspin which quickly spilled over into the stock market where share prices suffered their biggest one-day fall in 25 years.

The next day, when the retail sales data was released—showing a smaller than expected 0.8 percentage point rise along with a lower than forecast 0.3 percentage point rise in US producer prices—bonds only managed a feeble rally. The net result was that the bellwether US government long bond ended the week with a loss of 1¾ points.

Since the rout in the credit markets began after the Labor Day weekend the long bond has shed 5¼ points and its yield has increased by 50 basis points to 7.70 per cent. Short-term interest rates have hardly budged with the result that the Treasury yield curve of 266 basis points is as steep at it has been since November 1985.

The end of summer in the US has coincided with a fundamental shift in market psychology. It has moved from a scenario in which the US Federal Reserve was generally believed to be leaning toward further easing of monetary policy, to one in which the Fed is viewed as more likely to take a neutral, or perhaps even less accommodative posture. In addition, there has been a growing fear that inflationary forces are about to be unleashed onto an unsuspecting market.

"The Federal Reserve is receiving a message from financial and commodity markets that it is viewed as attempting to ease too far too fast," says Aubrey G. Lanston's latest market letter and concludes that it "goes without saying that further Fed easing steps would be out of the question."

While the above description may turn out to be over-gloomy, it appears that the US credit markets are adjusting to the realisation that inflation has not been completely eradicated from the US financial system as some of the more bullish observers seemed to be suggesting in the spring when oil prices appeared to be heading below $10 a barrel. Instead, the underlying rate of inflation in the US is now probably around 3 per cent to 3½ per cent and may creep up to 4 per cent in the months ahead.

Against this background, signs of a quickening pace of economic activity in Europe, and an obvious reluctance by America's major industrial partners to be forced into cutting their own interest rates before they are ready, the US credit markets could be adjusting to reality.

But as Salomon Brothers notes in its weekly comments on credit, uncertainty about the direction of the US economy and inflation may be part of the malaise troubling the financial markets, yet there are other underlying causes for the market's recent performance of perhaps equal or greater significance.

Salomon says that the "increasingly volatile market response" to these fundamentals reflects new features of the financial landscape. It notes that the quick and often violent response of the markets to news or roumours reflects the ever-growing capacity to move funds around the world at a moment's notice via an enhanced menu of financial instruments. Many of these instruments are designed to manage risk. They can also be used to assume risk quickly and with extraordinary leverage, which can magnify market swings without changing their underlying direction.

This week the credit markets will be able to worry about a fresh batch of US economic data which includes tomorrow's release of the August industrial production figures, a revised second-quarter growth figure on Thursday and the August personal income and consumption data at the end of the week. Analysts are estimating that industrial production will be up by around 0.4 per cent, and that the US economic growth figures will be revised slightly upwards from the originally estimated 0.6 per cent growth in real gross national product in the second quarter. Meanwhile, analysts are expecting personal income in August to be up by around 0.4 per cent and consumer spending to be up by around 0.6 per cent.

Given the sharp sell-off in the credit markets over the last couple of weeks, many analysts are looking for some recovery in the week ahead but there are widely varying views about the medium term. Mr Sam Kahan of Kleinwort Benson Government Securities, says that the markets are currently trading on "fear rather than fact" and rates should decline once it becomes clear that economic activity is not about to boom and that inflation will remain contained. For the time being he expects long-term rates to trade in the 7.25 per cent to 7.75 per cent range and the yield curve to remain steep.

Mr Philip Braverman of Irving Trust's Briggs Schaedle division says that the market's headlong retreat is unwarranted by economic, inflation, or other fundamentals. He says that the market has turned extremely bearish and is unable to improve significantly even on good news, which suggests that "the price retreat may continue further." However, the long-term outlook remains "highly favourable" once the retreat has run its course.

William Hall

US MONEY MARKET RATES (%)

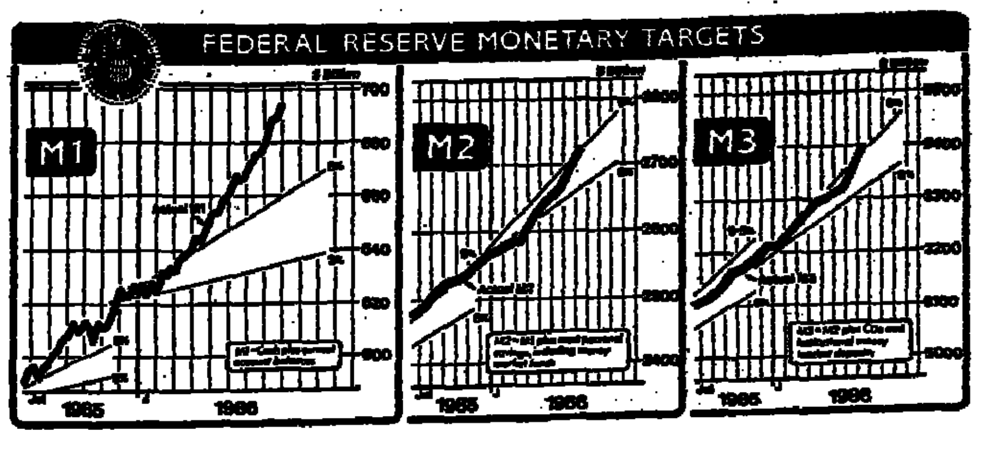
	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	5.88	5.88	6.31	8.91	5.85
Three-month Treasury bills	5.17	5.23	5.67	7.40	5.15
Six-month Treasury bills	5.38	5.30	5.53	7.48	5.16
Three-month prime CDs	5.77	5.64	6.00	8.10	5.46
30-day Commercial Paper	5.75	5.60	6.10	8.05	5.55
90-day Commercial Paper	5.67	5.50	5.95	8.00	5.45

US BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	99¾	−1¼	7.41	7.16	7.01
20-year Treasury	111½	−2⅝	8.20	7.94	7.62
30-year Treasury	94⅞	−1¾	7.70	7.54	7.29
New 10-year "A" Financial	N/A	−2⅝	8.75	8.40	8.38
New "AA" Long utility	N/A	−2	9.50	9.30	9.25
New "AA" Long industrial	N/A	−2	9.25	9.05	9.00

Source: Salomon Bros (estimates).

Money Supply: In the week ended September 1 M1 rose by $4.6bn to $683bn.



UK GILTS

A chance to reassess long-term values

THE past week has provided enough turbulence in the world's financial markets for all but the strongest stomachs. Confusion over whether equity markets were supposed to be driving bonds, or vice-versa, led to sharp changes of direction, with the responses to some outside stimuli often showing a nicely inverted sense of logic.

The UK gilts market avoided the worst of the gyrations, missing out both on the 1½ point rise in the US long bond price on Tuesday and on its 2¼ point fall on Thursday. Dropping steadily over the course of the week, however, longer dated gilts still ended nearly three points down.

Over the course of the week, short and medium yields rose firmly through the 10 per cent barrier, with the FT Actuaries high coupon series rising 38 basis points at five years to 10.6 per cent and 35 basis points at 15 years to 10.17 per cent.

At the longer end, stocks such as the bell-weather Treasury 13½ per cent 2004/08 pushed up to a gross redemption yield of 10.02 per cent, but the FT Actuaries yield at 25 years remained at 9.91 per cent on Friday afternoon, up 25 basis points on the week.

The turmoil over the past week is scarcely the best invitation to investors to return to the market. When the mud has settled to the bottom of the pond again, however, the shakeout may have provided just the right opportunity for reassessing long-term values.

On the international front, the gilts market has closely followed the US bond market over the week, with the spread at 10 years staying close to its peak for the year of 249 basis points. At the same maturity, however, yields on UK gilts widened to nearly 400 basis points over West German government bonds and to 460 basis points over Japanese government bonds.

On past inflation rates, according to Goldman Sachs, the US securities house, the implied real yield on 10-year gilts is 7.7 per cent, compared with 6.5 per cent for West Germany, 5.9 per cent for France and the US and 4.0 per cent for Japan.

Even using the estimated future trend of unit labour costs, Goldman calculates the UK's real yield at 5.6 per cent, against 5.4 per cent for France, 5.0 per cent for West Germany, 4.6 per cent for the US and 3.8 per cent for Japan.

With sterling still looking rather fragile, investors may not see this yield gap as sufficient insurance against a further decline against the D-Mark but Mr Malcolm Roberts, economist at Salomon Brothers in London, considers the nominal yield spread to Japanese bonds of 460 basis points as "very high, considering that the yen/sterling rate has already fallen by 21 per cent this year."

On the domestic front, the setback has meant that for the first time in months gilt yields are not discounting the next cut in bank base rates. Indeed, for the first time since January, the possibility has surfaced that the next move in domestic short-term interest rates could be up and not down.

As yet the possibility is still a remote one. To the authorities, the current evidence on monetary conditions throws up no arguments for lowering rates and virtually no arguments for raising them. The net result—no change—is the same as it was two months ago but the balance has shifted subtly.

None of this will provide much comfort to those who have been counting on the Government to maintain a trend of declining interest rates to carry it through the flotation of British Gas.

The announcement that British Airways will be coming to the market early in the New Year, however, provides a crumb of comfort to that part of the market which remains concerned about funding pressure—barring a repetition of last week's equity market crash, £4.75bn of asset sales should be achieved in the current financial year.

With so much background confusion, however, it is only funds with very long-term aims that can afford to do other than suspend judgment.

George Graham

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11¾ 94	100	103⅞	−0½	10.95
AIDC 11 89	75	107⅞	0	7.25
Alcan Australia 8¾ 89	25	99⅞	−0¼	8.83
Amer Saving 12 89	125	106	−0½	9.20
Amer Saving 12¾ 89	100	106⅝	−0¼	9.29
Asian Dev Bk 11¾ 93	100	116⅝	−1	8.70
[illegible]				
Ontario Hydro 11⅞ 90	200	113⅞	−1⅛	7.83
Ontario 12⅝ 94	250	124⅝	−0⅝	8.22
Orient Fin 11 92	60	110	−1	8.56
Pacific Gas & Elec 12 00	75	111½	−1⅞	10.40
Penney J C 11⅞ 90	100	104⅛	−0⅜	10.45
Penney J C 12⅝ 91	100	10[illegible]	−3½	10.33
Postipankki 11⅛ 90	75	108⅞	−0⅝	8.24
Post-Och Kred 13½ 87	50	106½	−0⅝	6.10
Privatbanken 12½ 95	100	119⅝	−1⅞	9.12
Prudential Ins 12⅝ 87	150	106⅞	−0⅝	6.48
Pru Rlty Secs 0 99	365	33⅛	−1⅝	9.17
Pru Rlty Secs 11⅞ 92	385	108⅝	−1⅛	9.82
Pru Rlty Secs 12¼ 95	545	114⅞	−2⅞	9.46
Quebec Prov 12⅝ 94	150	114⅝	−0⅝	9.39

	Issued	Price	Chg. on week	Yield
Queensland Gvt 11¾ 89	100	108⅝	−1½	7.85
RBC 11⅞ 90	100	109⅝	−0⅝	8.01
Rural Bk Aust 12 91	50	111⅛	+0⅛	8.76
Sanwar Bank 11⅞ 92	150	112⅝	−0⅞	8.79
Sanwar Intl 11½ 92	100	114⅝	−2⅞	8.18
Saskatchewan 10⅝ 92	100	109⅝	−2⅛	8.45
Saskatchewan 10⅝ 90	125	106⅝	−1⅝	7.93
Saskatchewan 11⅝ 89	100	111⅞	−1	7.72
[illegible]				
Tokai Asia ⅛ 99	150	100⅛	−0⅛	7⅛
Toyo Trust Asia ⅛ 99	100	100⅛	−0⅛	7⅛
UBAF ⅛ 90	65			7
Union Bank-Norw ⅛ 99	50			8⅛
United Kingdom 92	2.5bn	100⅛	−0⅛	6⅝
Wells Fargo ⅛ 94	150	99⅝	−0⅛	6⅞
Wells Fargo ⅛ 96	50	99⅝	−0⅛	6⅞
Yokohama ⅛ 94	100	100⅛	0	7½
Yorkshire Int ⅛ 94 £	75	100	0	10

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	253⅝	−18½	−1.56
Ajinomoto 5⅞ 96	40	319	−35½	−8.57
Best Denki 5⅞ 97	15	294	−7½	−7.90

	Issued	Price	Chg. on week	Yield
Canon 7 97	80	281⅝	−10	−6.32
Daiwa Secs 5½ 98	80	787½	−35½	−6.59
Elektrowatt 6 98	51	182	−2⅝	−7.06
Fuji Bank 2⅝ 00	100	168⅝	−4⅝	−0.52
Fujitsu 3 98	100	124⅝	−4⅝	−4.74
Intec Inc 3 98	50	189⅞	−36	−22.85
Kyowa Hakko 6⅝ 97	40	495⅝	−46⅝	−4.37
LASMO 9⅝ 99	44	98	−0⅝	117.82
[illegible]				

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11⅝ 91	18/2/88	86	−16½	8.83
Coca-Cola 11⅝ 91	28/11/88	115	−15⅝	8.53
Dai-Ichi K 6⅞ 98 B	1/1/96	14⅞	0	6.25
Du Pont 13⅝ 89	26/8/86	122⅝	−2⅞	8.38
Eksportfinas 13⅝ 89	15/9/87	124½	−17½	8.39
Holland Air 11⅝ 91	10/8/88	49⅝	−3½	9.78
Ind Bk Jpn 12⅞ 91	5/10/89	161⅝	−13⅝	9.01
Mitsbsh Fin 12⅝ 91	8/11/89	144	−22	8.99
J P Morgan 11⅞ 90	16/6/87	71	−19⅝	8.54
Texaco Cap 12⅞ 92	7/9/87	80	0	11.66
Wells Far A 12⅝ 91	27/12/89	142⅝	−14⅞	9.09
Wvrshr Cap 11½ 90	15/11/87	76⅞	−18⅝	8.72

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on September 12.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Apple upgrades personal computer

BY LOUISE KEHOE IN SAN FRANCISCO

APPLE COMPUTER, the original Silicon Valley personal computer maker, aims to revive the excitement of the early days of the personal computer business with the introduction today of a new upgraded version of its nine-year old "Apple II."

To be launched with a blitz of publicity backed up by a multimillion dollar advertising campaign, the new Apple IIGS is "just what the industry has needed . . the only machine I have been really excited about for a long time," says Mr Richard Matlack, president of Infocorp, a leading US computer market research firm.

What has Matlack, and other analysts, pouring praise on the IIGS are its spectacular colour display capabilities that can provide rich animated high resolution colour pictures. The IIGS also features a new sound chip that "talks" or can play music with synthesiser quality. The IIGS is also faster and has more built in memory than earlier versions.

"I am positive demand will be phenomenal," says Mr Matlack. Apple IIGS sales will be limited only by the company's ability to produce the new machine at its plant in Singapore, he predicts. That will depend primarily on the availability of new chips used in the IIGS.

Others are no so sure. "The IIGS is expensive," Sharon Hashimoto, a Dataquest analyst, notes. Although the basic IIGS system price is $999, essential extras such as a disk drive and monitor bring the cost up to $1,400 to $1,900. That puts the IIGS beyond the reach of many consumers and schools, the primary targets of Apple's US marketing campaign.

Apple is confident, however, that even if the price of the new IIGS is too high for some buyers, the excitement created by the new product launch will generate a surge in sales of its older and cheaper Apple IIE.

To provide current and future IIE buyers with an upgrade path, Apple is offering a $499 plug in circuit board that transforms the IIE into a IIGS.

A major plus for the Apple IIGS is that it can run most of the software programs written for earlier Apple II models. Apple also claims that as many as 40 new programs that take full advantage of the new computer's graphics will be available by Christmas.

Despite its attractions, the IIGS faces stiff competition. "Clones" of IBM personal computers now selling in the US for as little as $700 have closed Apple out of the small business market and Apple's original arch rival, Tandy Corporation, is making inroads into Apple's education business.

The IIGS must also compete with home computers such as the Commodore Amiga, which has similar high quality graphics and is much cheaper.

In Europe where Apple lacks the advantage of a dominant position in the schools market, which has a strong influence on home computer buyers, the Apple IIGS's prospects are less promising. Apple will aim the IIGS at small business users and will offer "bundled" systems ranging in price from £1,200 to £2,200.

$250m cash offer to Western Union

By William Hall in New York

WESTERN UNION, the financially ailing telecommunications company which is struggling to stave off bankruptcy, has been promised a $250m cash injection if control of the company is turned over to a little-known investor group.

The company has been trying for some time to get a complicated refinancing plan agreed by its bondholders. However, the bondholders are known to be concerned that Western Union's bankers, who are owed $300m, are getting too good a deal and the plan failed to win the necessary votes at a special meeting on Friday. The Prudential Insurance Company, one of the biggest investors in Western Union, said that it had not supported the plan because it did not think it was an attractive deal for preferred shareholders.

Western Union announced shortly afterwards that it had entered into a letter of intent with an investor group consisting of Pacific Asset Holdings, a private financial services firm, and MDC Holdings, a national home builder and financial services company.

The letter of intent contemplates a business combination between Pacific and Western Union that would involve a $250m investment by the investor group in the company in exchange for senior secured debentures, preferred stock and common stock.

The transaction is subject to a number of conditions including the negotiation of a satisfactory settlement with the company's banks and the consumation of new exchange offers for the outstanding debt and preferred stock of the company.

On completion of the proposed deal Western Union says that the investor group would have a majority on the board and would "actively participate in the management" of the 135-year-old company. The group's traditional telex operations are under pressure from newer forms of telecommunications and its expansion into electronic mail is not yet generating sufficient profits to offset the decline in its more traditional business.

Finnish bank ahead at midway

By Olli Virtanen in Helsinki

UNION BANK of Finland, the country's leading commercial bank, reports a satisfactory result for the first six months of 1986, with consolidated profit before provisions and taxes up 17 per cent to FM 644m ($129m).

The increase is mainly attributed to the inclusion of Bank of Helsinki and Finnish Corporate Finance Ltd into the UBF group during the period.

Consolidated assets at the end of June stood at FM 94,635m, up 6 per cent from the total six months earlier.

The parent bank, Union Bank of Finland Ltd, saw its profit before provisions and taxes increase by 14 per cent to FM 480m. This was achieved by the good performance of the bank's business operations most notably dealing in securities and on the foreign exchanges. Interest income actually fell by 3 per cent compared with the first six months of 1985.

Mr Mika Tiivola, UBF's chairman, expects the group to produce a good result for 1986 providing the money markets stabilise quickly after the heady speculation in the Finnish Markka in August. During that month, he says, UBF lost tens of millions of Markkas just to pay for the high call money rate.

IFC investments reach $1.2bn

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE International Finance Corporation, the World Bank offshoot that finances private sector business in developing countries, today reports a 23 per cent increase to a record $1.2bn in new investments approved during the year ended June 30.

Of the total IFC is providing $710m from its own resources compared with $610m in the previous year, leaving $446m to come from outside participations.

The increased activity follows the implementation in December 1985 of a $650m capital increase, raising IFC's authorised capital to $1.3bn.

Sir William Ryrie, chief executive, said the IFC was now developing a clear profile as "an investment bank with a development purpose." Among new services launched last year were a foreign investment advisory service to assist member governments in attracting direct foreign investment as well as the Emerging Markets Growth Fund which will channel portfolio investments to the stock markets of developing countries.

IFC raised $350m on private capital markets last year, against $130m in the previous fiscal year, in line with the organisation's increased investment commitments, Sir William said.

Net profit for the year was $25.4m, down slightly on the previous year's $28.3m because of a $10m increase to $39m in provisions against potential losses. Actual write-offs last year, which had already been fully provided for, amounted to $18m.

JSE listing for Liberty parent

BY JIM JONES IN JOHANNESBURG

LIBERTY INVESTORS (LI), the top pyramid company of the Liberty Life group, is to acquire a Johannesburg Stock Exchange listing in November. When it is listed LI will own one-third of LibLife Controlling Corporation indirectly through the 84 per cent-owned DGI Holdings. LCC owns 51 per cent of Liberty Holdings (LH) which, in turn, controls Liberty Life Association, South Africa's third largest life assurance company.

About four-fifths of LI's assets are represented by its Liberty group interests, but the company will have about R50m ($21.4m) available for the diversification of its investments following a rights issue which will accompany the November JSE listing. At this stage the intention is to issue about 30m new shares in LI, which will raise its issued capital to about 175m shares. About three-fifths of the new shares will be offered to the public and the remaining two-fifths will be offered on a preferential basis to business associates of LI. The issue price will be decided in October and will be related to the price of the underlying Liberty Life shares.

Two weeks ago, Liberty Life announced plans to merge with Prudential Assurance of South Africa, the 64 per cent-owned subsidiary of Prudential Assurance plc. The Prudential's British parent has said that it intends to retain the Liberty Life shares it receives in terms of the merger.

This was a condition imposed by the South African regulatory authorities for permitting the merger, but Johannesburg analysts believe that the Pru could gradually sell the shares on a preferential basis to one or other of Liberty Life's pyramid companies.

The merger of Liberty Life and Prudential is expected to create a company with assets of about R10bn and annual income of R1.75bn.

LI's prospectus is due to be issued in October and the company hopes its shares will be quoted on the JSE on November 19.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Nippon Meat Packers ¶‡	60	1991	5	2⅞	100	Yamaichi Int. (Eur)	2.875
Tsurumi Mnf. Co ‡¶	20	1991	5	2⅞	100	Daiwa Europe	2.875
Mitsui Tst. & Bkng. §‡	100	2001	15	2⅜	100	Mitsui Trust Int.	2.389
Shimadzu Corp. ¶‡	100	1991	5	2⅞	100	Nikko Secs. (Europe)	2.875
Fukuyama Transporting ¶‡	100	1991	5	3⅛	100	Nomura Int.	3.125
Bank of Yokohama §‡	100	2001	15	2⅜	100	Nomura Int.	2.389
Nomura Secs. ¶‡	135	1991	5	3⅛	100	Nomura Int.	3.125
Nomura Secs. ¶‡	65	1991	5	3⅛	100	Nomura Singapore	3.125
Sanshin Mnf. ¶‡	60	1991	5	3⅛	100	Nomura Int.	3.125
Koyo Seiko Co. ¶‡	70	1991	5	3⅛	100	Nikko Secs. (Europe)	3.125
GMAC (d) ‡	276	1988–91	2.11	7¼	101.41	Salomon Brothers	–
Asahi Chemical Ind. ¶	200	1991	5	(3⅛)	100	Nomura Int.	•
Jujo Paper ‡	80	1993	7	8¼	101⅝	Nomura Int.	7.939
Italy Euro Republ Assets †‡	284	1993	6.7	(e)	100	Banque Paribas	–
CCCE ‡	113	1991	5	7⅛	100¾	Morgan Guaranty	6.942
Sweden ‡	250	1991	5	7	100½	SBCI	6.878
Rorer Group §‡	250	2001	15	6	100	CSFB	6.000
Chubb Corp. §	200	1993	7	5½	100	Morgan Stanley	5.500
Prov. of Quebec †‡	300	2001	15	(g)	100	CSFB	–
CANADIAN DOLLARS							
L'bk Rheinland-Pfalz ‡	50	1991	5	9⅝	101¾	Orion Royal Bank	9.173
Alberta Nat. Gas ‡	80	1993	7	10⅛	100⅜	McLeod Young Weir	10.048
AUSTRALIAN DOLLARS							
Kellog Co. ‡	35	1989	3	14⅛	99⅝	Salomon Brothers	14.287
D-MARKS							
Citicorp ‡	200	1996	10	6⅜	100	Citibank	6.375
Asian Dev. Bank ‡	100	1996	10	6⅛	99½	Deutsche Bank	6.194
SWISS FRANCS							
Pegasus Gold Corp. (a) §	60	1996	–	5¾	100	Bqe Gutzwiller, K. B.	5.750
Seagram Co. ‡	250	2085	–	6	100	SBC	6.000
XR Capital Holding (b) §	100	2001	–	(5⅝)	100	Bqe Gutzwiller, K. B.	•
Nippon Valqua Ind. **¶‡	50	1991	–	¾	100	Banca del Gottardo	0.750
Mizuno Corp. **¶‡	30	1991	–	¾	100	SBC	0.750
Ibiden Co. **¶‡	45	1991	–	¾	100	SBC	0.750
Gastec Service **§‡	30	1991	–	⅞	100	SBC	0.877
Australia **‡	300	1992	–	4¾	100	UBS	4.750
CNT ‡	150	1995	–	4¾	100¼	Crédit Suisse	4.715
EIB	200	Postponed			Soditic		
Daiei Electric **¶‡	50	1991	–	¾	100	Wirtschafts- und Privatbk	0.750
Chuetsu Pulp Ind. **¶	100	1991	–	(1)	100	SBC	•
Texas Eastern Corp.	100	1996	–	(5½–5⅝)	•	Chase M'hattan (Suisse)	•
EPDC of Japan ‡	100	1996	–	4⅝	99¾	UBS	4.657
FRENCH FRANCS							
Electrolux ‡	500	1991	5	7¾	100	BNP	7.750
EDF (h) ‡	800	1991	5	4½	100¾	Société Générale	–
LUXEMBOURG FRANCS							
Assur D'anes Credit **‡	250	1989	3	7	100	BIL	7.000
Alfa Laval **‡	300	1991	5	7½	100¼	Kredietbank Int.	7.438
GUILDERS							
EIB ‡	300	2001	10½	6	99	Amro, ABN	6.104
STERLING							
Nationwide B. Soc. (f) †‡	300	1996	10	8bp	100	Baring Brothers	–
LIRE							
Ind. Bank of Japan ‡	50bn	1991	5	10⅜	100	BCI	10.375
YEN							
B. Naz. del Lavoro (c) ‡	20bn	1991	5	3	101⅞	Nomura Int.	–
Morgan Guaranty ‡	15bn	1991	5	5⅛	101⅞	Nomura Int.	4.696
Bank of Tokyo ‡	20bn	1993	7	8½	118⅛	Bank of Tokyo Int.	5.338
Ford Motor Credit ‡	14.2bn	1991	5	8¾	116⅝	Yamaichi Int. (Eur)	4.919
OKB ‡	6.8bn	1991	5	8½	115½	Warburg Securities	4.827
OKB ‡	13.2bn	1991	5	8½	115¼	Warburg Securities	4.889
Citicorp ‡	20bn	1991	5	8½	114¼	Nikko Secs. (Europe)	5.191
Den norske Creditbk ‡	20bn	1991	5	8½	114¼	Nomura Int.	5.191
Bayerische Vereinsbk ‡	15bn	1991	5	8½	114¼	Nomura Int.	5.191
CITIC (China) ‡	20bn	1996	10	6.1	100	Nomura Secs.	6.103
IADB ‡	30bn	2001	15	5.9	100	Daiwa Secs.	5.987

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate notes. ¶ With equity warrants. ȸ With bond warrants. ‖ Currency linked. (a) Convertible into gold or stock. (b) Double convertible. (c) Bull-bear issue, linked to US T-bond; (d) Coupon paid monthly, car-loan backed bond. (e) Equal to 3m Libor. (f) 8bp over 1m Libor. (g) Equal to 6m Libid. (h) Bull-bear issue, linked to C.A.C. index. Note: Yields are calculated on AIBD basis.

UK COMPANY NEWS

Pifco profits lower as Salton problems take toll

A SLIGHT fall from £1.4m to £1.27m in pre-tax profits was reported by *Pifco Holdings*, the Manchester-based manufacturer of electrical appliances, for the year to April 30 1986. Turnover rose by 53 per cent, from £12.39m to £19m.

The final dividend has been raised from 3.52p to 4p net and the directors said they intended reducing the disparity between the interim and final dividends next year. The total payout is raised from 5.28p to 5.76p. Stated earnings per 20p share improved from 19.4p to 22.4p.

The lower profits were as anticipated, and the chairman said they were as a result of the ongoing difficulties of the small appliance industry, and the problems and costs associated with the Salton acquisition.

Investment income was reduced as corporate funds were invested in trading activities, most notably the purchase of International Salton Holdings in September 1985.

The chairman said Salton was in a far worse condition than the company had been led to believe at the takeover date, and following further accountancy investigation work, the revised figures at February 28 1985 showed a net asset reduction of £541,000.

The company was actively pursuing its rights and the board was taking all appropriate steps to protect its position having regard to the warranties and indemnities given under the purchase agreement.

Pifco was also actively exploring all its legal options in relation to third parties for the full recovery of the losses the group had suffered.

Technology for Business

Technology for Business reported an increase in pre-tax profits for the six months to the end of June 1986 from £166,000 to £185,000. Turnover rose by £827,000 to £5.04m.

However Mr Paul Bion, chairman, said that the French subsidiary had not matched the improvement throughout the rest of the group. The company had decided to close the offshoot and appoint a local distributor resulting in an extraordinary cost this time of £62,000. And after tax charge of £18,000 (£19,000), earnings per 10p share of this USM-quoted company fell by 1.4p to 2p.

Habit in deal with DSC

Habit Precision Engineering has agreed terms, subject to contract and shareholders' approval, to purchase DSC Holdings' industrial diamond and vitrified grinding wheel businesses.

It comprises the issued share capital of DSC's subsidiary, Eigin Diamond Products (Europe) and the vitrified grinding wheel and cone point division of DSC's subsidiary, Diamond Stylus. Habit will also acquire DSC's freehold premises at Colwyn Bay, North Wales.

The total consideration payable is £1.25m. In addition, DSC will receive from Habit £250,000 for its freehold premises. The consideration will be payable in cash on completion, and is equivalent to 50.9p per DSC share.

In the meantime, DSC has reported heavier pre-tax losses for the year to March 31 1986. They increased from £12,000 to £82,000 on turnover marginally higher at £2.2m.

Mr Ian Wilkes, chairman, said the trading losses occurred in the first half in the audio products part of Diamond Stylus. That activity area had now been re-organised and was currently trading at a small profit.

Tax for the year was down from £43,999 to £14,284.

The dividend is unchanged at 0.5p and the stated loss per share was 3.06p against 1.78p.

Great Southern placing next month

By Alice Rawsthorn

The Great Southern Group, one of the largest undertakers in the UK, proposes to join the USM next month through a placing.

After the placing Great Southern will be capitalised at more than £12m, turning it into the largest undertaker on the USM after Hodgson Holdings and Kenyon Securities. The company intends to use the proceeds of the flotation to expand further, by extending its branch network through acquisition.

Great Southern originally operated in the crematoria business, but diversified into undertaking in the early 1970s. Throughout the 1970s it grew rapidly by acquisition, but has since consolidated to strengthen its administrative and regional network. It now operates 92 funeral directing branches and owns nine crematoria, two of which have adjacent graveyards.

In 1985, Great Southern carried out more than 20,000 funerals, 22,640 cremations and 516 burials. It produced pre-tax profits of £1.4m on turnover of £11.2m.

The placing will be sponsored by the merchant bank, Hill Samuel, with Wood Mackenzie as brokers.

Eve Construction coming to USM

BY ALICE RAWSTHORN

Eve Construction, which specialises in civil engineering, building contracting and plant hire, is coming to the USM through a placing which will value the company at £9.8m.

The company was formed in the 1930s to design and construct overhead transmission lines for the incipient electricity industry. Eve has since diversified into the construction of transmission towers. It has also operated a specialised plant hire service, Trakway, since the late 1960s and has more recently expanded into property development.

Profits growth has been fairly erratic in the 1980s, but Eve produced pre-tax profits of £1.62m on turnover of £36.43m in its last financial year to March 31.

"So far we have grown organically," said Mr Gerald Hough, Eve's director of finance. "After the flotation we will be in a position to expand through acquisition and to move into other niches of the construction industry. A public quotation will also give us extra prestige in the industry."

In the placing—through the stockbrokers, Savory Milln—Eve will release 2m ordinary shares, or 21.5 per cent of its equity, at 105p a share. The placing will raise some £2m, of which £0.75m will be ploughed back into the company to reduce bank borrowings.

Sharna Ware losses up

HEAVIER losses — up from £151,160 to £325,770—incurred by its cash-and-carry division pushed Sharna Ware, toy manufacturer, deeper in the red in the six months to June 30 1986. Losses increased from £96,084 to £514,843.

No interim dividend is being paid, compared with 0.9p last time and a final of 1.6831p. There was a loss per 20p share of 10.94p (1.72p).

The directors said yesterday that the cash-and-carry losses were as a result of lower turnover—group turnover for the period was down from £11.8m to £10.52m—and unremitting pressure on margins, while the level of interest charges continued to have an adverse effect.

In July, the Manchester cash-and-carry store was closed as a means of rationalising business in the area within the confines of the Stockport store.

In the manufacturing division, the level of output in Triang Toys suffered as a result of the transfer of the manufacturing activity from Merthyr Tydfil in South Wales to Manchester, and was the main factor responsible for the loss in the period of £89,073 (profit £55,076) in the division.

Bearing in mind the seasonal nature of the businesses in which the group operates, there should be an improvement in trading performance in the second half, said the directors.

There were tax credits of £82,000 (£28,000) for the half.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
Amstrad	Oct 2	Final 0.618
*BSG Intl	Oct 1	Interim 0.385
*Bank of Scotland	Sept 24	Interim 5.5
Barratt Developmts	Sept 24	Final 5.31
Bejam	Oct 16	Final 2.0
*Bilton (P.)	Oct 6	Interim 4.0
*Boddingtons Brews	Sept 18	Interim 1.33
*Brent Chems	Sept 24	Interim 0.85
*Bridon	Sept 17	Interim 1.5
*Brixton Estate	Sept 16	Interim 2.3
*Brown Boveri	Sept 25	Interim 1.0
*Coats Viyella	Sept 24	Interim 1.9
*Combined Eng Stores	Sept 25	Interim 2.45
*Cons Gold Fields	Sept 18	Final 16.0
*Croda Intl	Sept 18	Interim 3.0
*Dalgety	Sept 15	Final 14.0
*Enterprise Oil	Sept 19	Interim 3.5
Fisher (A.)	Oct 17	Final 1.2
*Fisons	Sept 16	Interim 2.16
Foseco	Sept 27	Interim 2.95
Freemans	Sept 23	Interim 2.3
*Glaxo	Oct 14	Final 14.0
Hammerson Prop	Oct 14	Interim 2.0
*Hawker Siddeley	Oct 22	Interim 4.5
Higgs and Hill	Oct 9	Interim 5.0
*Ibstock Johnsen	Oct 2	Interim 1.5
*Inchcape	Sept 29	Interim 7.15
*Lasmo	Sept 23	Interim 4.5
*Laporte	Sept 18	Interim 3.2
*Legal and General	Sept 17	Interim 8.5
London and Edinbgh Tst	Oct 7	Interim 3.0
MAI	Sept 26	Final 12
*Menzies (J.)	Sept 29	Interim 1.35
*Minet	Sept 17	Interim due
*Morgan Crucible	Sept 22	Interim 3.9
Mowlem (John)	Oct 14	Interim 4.0
RMC	Sept 25	Interim 4.8
*Ransomes Sims	Sept 15	Interim 1.5
*Reckitt and Colman	Sept 17	Interim 6.0
*Rio Tinto-Zinc	Sept 18	Interim 7
Rockware	Oct 14	Interim due
*Rugby Portland Cement	Sept 29	Interim 2.9
Senior Eng	Oct 14	Interim 0.825
*Simon Eng	Sept 16	Interim 2.5
*Steetley	Sept 22	Interim 5
*Stewart Wrightson	Sept 16	Interim 6.3
*Tarmac	Sept 22	Interim 2.2
Tozer Kemsley	Oct 11	Interim due
*Travis and Arnold	Sept 22	Interim 1.95
Turner and Newall	Sept 12	Interim 1.35
UEI	Oct 14	Interim 2.0
*Utd Biscuits	Sept 17	Interim 2.85
*United Newspapers	Sept 25	Interim due
*Vickers	Sept 25	Interim 5
*Wimpey (G.)	Sept 25	Interim 0.85
*Woolworth	Sept 17	Interim 3.0

*Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BOARD MEETINGS

TODAY

Interims: C. D. Bramall, EIS, Ernest Green, Hugh Mackay, Manders, Manor National, PE International, Ransomes Sims and Jefferies, Shires Investment, Simon Engineering, Soundtracs, Suter, T and S Stores, Television Services International.

Finals: Alumasc, Dalgety, GT Japan Investment Trust, John Haggas, London Securities.

FUTURE DATES

Interims:	
Aberdeen Construction	Sept 25
BSG International	Oct 1
Cakebread Robey	Sept 24
Connells	Sept 23
Hawker Siddeley	Oct 22
LASMO	Sept 23
Legal and General	Sept 17
Lodge Care	Sept 17
Martin (Albert)	Oct 2
McLaughlin and Harvey	Sept 24
Monotype	Oct 15
Octopus Publishing	Sept 23
Pantherella	Sept 22
Shires Investment	Sept 15
Stag Furniture	Sept 29
Finals:	
Baillie Gifford Japan Trust	Sept 30
Continental Microwave	Sept 18
HTV	Oct 2

Caledonian Offshore hit by price fall

Caledonian Offshore, an Edinburgh based specialist in oil and gas exploration and production offshore the UK and in the US, has reported a loss of £1.34m for the year to June 30 1986, reflecting the drop in oil and gas prices.

The price decline meant a write down in the carrying value of the company's US properties which resulted in the loss, the directors said.

However, they added that the company had net cash balances of over £5m which far exceeded currently budgeted future expenditure on its existing licences. The oil and gas properties were in the books at £3.9m (£4.3m).

Revenue from oil and gas sales amounted to £344,000 in the year down from £434,000 but the company also received interest of £400,000 (£279,000). But these were more than absorbed by provisions and costs up from £697,000 to £2.08m including an item for depletion depreciation and amortisation up from £350,000 to £1.54m. In 1984-85 the company recorded a small profit of £16,000.

F.T. Share Information

The following securities have been added to the Share Information Service.

A.C. Bldgs (Section: Trusts, Finance, Land)
BBB Design (Paper, Printing & Advertising)
BTR Nylex (Industrials)
Booth Inds (Engineering)
VSEL Consortium (Engineering)

COMPANY NEWS IN BRIEF

S. W. WOOD Group, non-ferrous metal merchant and processor, incurred a pre-tax loss of £66,000 (£285,000 profit) in the year ended March 31, 1986, after interest payable of £116,000 (£146,000) and exceptional credit £113,000 (£2,000). There is no dividend (1p net). Loss per 20p share was 1.1p (4.7p earnings). Turnover came to £14.03m (£17.39m).

KLEINWORT SMALLER Companies Investment Trust is raising its interim dividend from 2.875p to 3.05p net. Total revenue £348,000 (£296,000) including investment income £294,000 (£248,000). After tax £83,000 (£72,000) net earnings £202,000 (£165,000), equal to 4.59p (3.75p) per share. Net asset value at June 30 was 360.5p (273.2p).

PAVILION LEISURE Holdings, theatre proprietor, made profits of £11,987 (£3,458) for the half year to April 30 1986, after interest charges of £17,582. Turnover was £231,616 (£144,025). Earnings per 10p share were 0.99p (0.28p).

EADIE HOLDINGS, engineering group, made pre-tax profits of £165,000 (£145,000) for the first half of 1986, on turnover of £3.94m (£3.33m). Earnings per 25p share were 1.55p (1.48p). Directors said results were in line with expectations and they remained confident of achieving full year forecast of not less than £450,000 pre-tax, made at time of entry to USM. There is no interim dividend, but a final is predicted.

BENCHMARK GROUP, financial services concern, raised pre-tax profits to £1.43m (£1.3m) in the year to June 30, 1986. Earnings per 20p share were 3p (2.8p) and a final dividend of 0.875p makes a total of 1.625p (1.5p) net. The group was formerly known as Manson Finance Trust.

NEW LONDON Properties, a subsidiary of Pearl Assurance, increased net revenue from £1.53m to £1.78m, for the first half of 1986. Turnover was £2.87m (£2.95m). The interim dividend is 7p (same).

ACCORD PUBLICATIONS, a USM-quoted greetings cards concern, made pre-tax profits of £43,000 for first half of 1986 (£351,000 for year 1985) in line with board's expectations. Board confirmed forecast that company was on course to achieving pre-tax profit of not less than £800,000 for year 1986. Earnings per 5p share were 0.5p (2.9p in 1985). Turnover came to £5.5m (£4.17m for year).

SOUTHAMPTON/ISLE OF WIGHT Royal Mail, the shipping services and road haulage group, has reported a substantial rise in pre-tax profits to £856,000 (£235,000) for the first half on turnover up at £4.74m (£4.14m). The company is paying an unchanged interim dividend of 4p per 50p ordinary share.

RYAN HOTELS, the hotel, tour and travel operator based in the Republic of Ireland, reported higher pre-tax losses of I£556,000 (I£497,673) in the six months to May 1 1986, compared with losses of I£382,000 for the first half of 1985. Turnover improved to £5.04m (£4.28m). The company is paying an unchanged interim dividend of 0.5p per 5p share.

BET has written to HAT Group shareholders urging them to accept its £114m or 148.82p a share bid. The offeror claims that the HAT board's "new strategy" has "clearly been cobbled together" following the bid and argues that BET has a good record as a manager of people. Mr David Telling of HAT said on Friday that the circular contained "nothing new and was full of errors." "BET's argument smacks of a big company wanting to swallow a smaller one," he added.

EXCALIBUR JEWELLERY increased its pre-tax losses from £236,103 to £255,484 in the year to April 30 1986. The dividend is raised, however, from 0.05p to 0.06p. Turnover was little changed at £4.64m (£4.66m).

NOTICE OF REDEMPTION

To the Holders of

Jardine Matheson International N.V.

(Incorporated in the Netherlands Antilles with Limited Liability)

7¾% Guaranteed Debentures due 1986 (the "Debentures")

NOTICE IS HEREBY GIVEN that, pursuant to the terms and conditions of the Debentures, Jardine Matheson International N.V. will redeem the entire outstanding principal amount of US$2,000,000 of the Debentures at their principal amount upon their maturity on 15th November, 1986 plus accrued interest for the year ending 15th November, 1986. Repayment of the principal and accrued interest can be obtained at the specified office of any one of the following paying agents upon presentation and surrender of the said Debentures and the interest coupons due 15th November, 1986. Such payments will be made in New York City in U.S. Dollars and elsewhere by transfer to a U.S. Dollar account maintained by the payee with a Bank in New York City or by U.S. Dollar cheque drawn on a U.S. Dollar account with a Bank in New York City subject in each case to any laws or regulations applicable in the country of payment.

PAYING AGENTS

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30 West Broadway
New York, New York 10015

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Via Amami, 14
20123 Milan, Italy

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
1040 Brussels, Belgium

Credito Romagnolo S.p.A.
Via Boncompagni, 27
00187 Rome, Italy

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Mainzer Landstrasse 46
6000 Frankfurt-am-Main, Germany

Bank Mees & Hope N.V.
548 Herengracht
Amsterdam, The Netherlands

Morgan Guaranty Trust Company of New York
Morgan House, 1 Angel Court
London EC2R 7AE, England

Banque Internationale à Luxembourg S.A.
2 Boulevard Royal
Luxembourg

Morgan Guaranty Trust Company of New York
14, Place Vendome
75001 Paris, France

Jardine Fleming & Co., Limited
46th Floor, Connaught Centre
Connaught Road Central, Hong Kong

Morgan Guaranty Trust Company of New York
Stockerstrasse 38
8022 Zurich, Switzerland

By Order of the Board
JARDINE MATHESON INTERNATIONAL N.V.
ABN TRUSTCOMPANY (SINT MAARTEN) N.V.
Managing Director

15th September, 1986, Netherlands Antilles

NOTICE

Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-9, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9, certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of $50. Please therefore provide the appropriate certification when presenting your securities for payment.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any shares.

SHERATON SECURITIES INTERNATIONAL PLC

(Registered in England No. 540048)
(Incorporated under the Companies Act 1948)

INTRODUCTION TO THE OFFICIAL LIST

SHARE CAPITAL

Authorised		Issued and fully paid
£15,000,000	in ordinary shares of 10p each	£11,404,277

Sheraton Securities International plc is a property development, trading and investment company which has established itself as one of the most active in the commercial development field in the U.K.

The Council of The Stock Exchange has admitted the whole of the issued ordinary share capital of Sheraton Securities International plc to the Official List. It is expected that dealings in the shares will commence on 15th September, 1986. Listing particulars relating to Sheraton Securities International plc are available in the statistical services of Extel Statistical Services Limited. Copies of the listing particulars may be obtained during usual business hours from The Company Announcements Office of the Quotations Department up to and including 16th September, 1986 or during usual business hours on any weekday (Saturdays excepted) up to and including 30th September, 1986 from:

Sheraton Securities International plc
77 South Audley Street
London W1R 5TA

The English Trust Company Limited
4 Fore Street
London EC2Y 5EH

Rowe & Pitman Ltd
1 Finsbury Avenue
London EC2M 2PA

15th September, 1986

GRANVILLE

Granville & Co. Limited
8 Lovat Lane London EC3R 8BP

Telephone 01-621 1212
Member of Fimbra

Capitalisatn. £000's	Company	Price	Change on week	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
4,439	Ass. Brit. Ind. Ord.	132	—	7.3	5.5	8.1	7.5
—	Ass. Brit. Ind. CULS	131	—	10.0	7.6	—	—
6,076	Airsprung Group	105	—	7.6	7.2	6.6	5.9
876	Armitage and Rhodes	35xd	—	4.2	12.0	4.9	4.5
58,793	Bardon Hill	186	+1	4.6	2.5	21.1	19.4
4,467	Bray Technologies	81	—	4.3	5.3	9.6	8.8
312	CCL Ordinary	89	+2	2.9	3.3	6.3	8.9
1,100	CCL 11pc Conv. Pref.	88	+1	15.7	17.8	—	—
14,698	Carborundum Ord.	245	+4	9.1	3.7	11.8	12.1
661	Carborundum 7.5pc Pf.	93	—	10.7	11.5	—	—
10,880	Deborah Services	139	+61	7.0	5.0	14.5	19.0
3,323	Frederick Parker Group	23	—	—	—	—	—
2,159	George Blair	117	—	3.8	3.2	3.0	4.3
2,864	Ind. Precision Castings	71	—	3.0	4.2	18.7	15.7
12,656	Isis Group	159xd	−7	18.3	11.5	9.1	7.1
6,457	Jackson Group	124	—	6.1	4.9	8.4	7.6
51,270	James Burrough	366	−8	17.0	4.6	10.3	9.4
3 487	James Burrough 9pcPf.	99	+1	12.9	13.0	—	—
5,836	John Howard Group	56	—	5.0	8.9	—	—
55,600	Multihouse NV	840	−10	—	—	44.0	57.4
8,625	Record Ridgway Ord.	376	—	—	—	6.7	11.6
2 403	Record Ridgway 10pcPf	89	—	14.1	15.8	—	—
776	Robert Jenkins	76	+1	—	—	3.3	4.8
1,710	Scruttons "A"	38	—	—	—	—	—
2,734	Torday and Carlisle	112	+1	6.7	6.1	6.8	8.9
1,480	Trevian Holdings	322	—	7.9	2.5	8.7	8.8
13,800	Unilock Holdings	69	—	2.8	4.1	12.7	11.9
25,018	Walter Alexander	193xd	+1	9.9	5.1	9.2	8.9
4,688	W. S. Yeates	197	—	17.4	8.8	19.7	21.9

This is neither an offer to exchange or sell nor a solicitation of an offer to buy or exchange any security. The Exchange Offer is made only by the Prospectus dated July 15, 1986, as amended on July 24, 1986, August 11, 1986 and September 9, 1986 and the related Letter of Transmittal, and the Exchange Offer is not being made to, nor will tenders be accepted from, holders of these securities in any jurisdiction in which the making or acceptance thereof would not be in compliance with the securities laws of such jurisdiction.

NOTICE: EXTENSION

Pengo Finance N.V.

Extends its Offer to Exchange its

Class A Non-Interest Bearing Convertible Senior Subordinated Guaranteed Debentures due 1991;
Class B Non-Interest Bearing Convertible Senior Subordinated Guaranteed Debentures due 1991;
8½ per cent. Convertible Subordinated Guaranteed Debentures 1995

For Securities Of

PENGO INDUSTRIES, INC.
Fort Worth, Texas, U.S.A.

As of September 8, 1986 $2,283,500 of Class A Debentures and $2,433,500 of Class B Debentures have been tendered and $913,000 of 8½ per cent. Debentures have been tendered. All tenders are revocable until, and if the Exchange Offer is consummated prior to, September 30, 1986.

THE EXCHANGE OFFER WILL EXPIRE AT 10:00 P.M. LONDON TIME (5:00 P.M. NEW YORK TIME), ON SEPTEMBER 29, 1986 UNLESS EXTENDED BY PENGO FINANCE.

Requests for assistance and copies of related documents should be directed to the Exchange Agent as follows: Mr. Richard Crews, Chemical Bank, 180 Strand, London WC2R 1ET. Telephone Number (collect), 01-379-7474, Telex Number: 264766 (Answer Back CHEMBK G).

September 9, 1986.

THIS ADVERTISEMENT IS ISSUED IN COMPLIANCE WITH THE REGULATIONS OF THE COUNCIL OF THE STOCK EXCHANGE. Application has been made to the Council of the Stock Exchange for the grant of permission to deal in the whole of the issued share capital of the Company in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing.

EVE CONSTRUCTION PLC

(Incorporated in England under the Companies Act 1929 No. 243826)

Placing
by
Savory Milln Limited
of 2,000,000 ordinary shares of 25p each at 105p per share

SHARE CAPITAL

Authorised	Issued and to be issued fully paid
£2,750,000	£2,335,000

Eve Construction PLC is a leading UK company in the design and erection of towers for overhead electrical transmission lines and masts for radio and telecommunications. A range of other civil engineering and building contracting for private and public organisations is also undertaken. The Company has successfully developed a business providing temporary road access systems operating under the name of Trakway and based upon the use of aluminium panels.

A proportion of the shares has been offered to the Market and may be available to the public through the Market during Market hours today. Full particulars of the Company are available through the Extel Unlisted Securities Market Service. Copies of the Prospectus and of Extel Cards can be obtained during normal business hours on any weekday (public holidays excepted) until 30th September, 1986 from:

Savory Milln Limited
New City Court
20, St. Thomas Street
London SE1 9RP

15th September, 1986

FINANCIAL TIMES STOCK INDICES

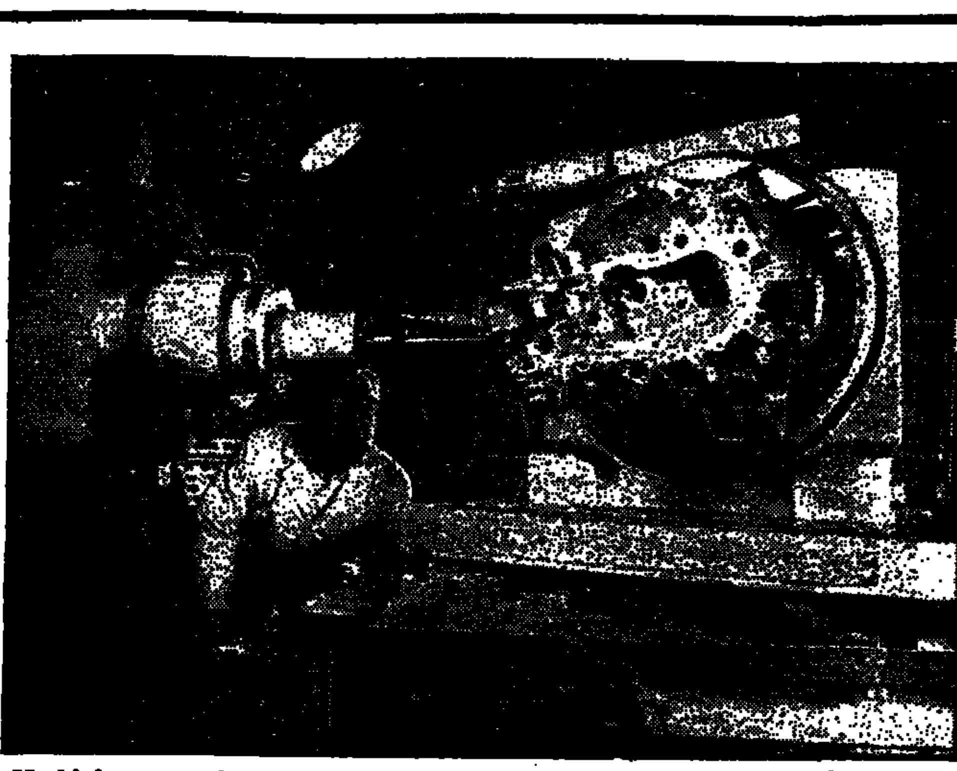
	Sept 12	Sept 11	Sept 10	Sept 9	Sept 8	Sept 5	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs.	86.74	87.01	87.62	87.48	87.76	88.47	94.51	80.99	127.4	49.18
Fixed Interest	93.16	94.00	94.17	94.24	94.25	99.84	97.68	86.55	150.4	50.53
Ordinary	1270.9	1298.2	1317.9	1331.1	1325.7	1338.4	1425.9	1094.3	1425.9	49.4
Gold Mines	314.8	297.4	297.3	302.6	315.4	308.6	357.0	185.7	734.7	43.5
FT-Act All Share	794.66	812.59	822.03	825.80	822.98	830.45	832.39	664.42	832.39	61.92
FT-SE 100	1608.6	1636.5	1663.5	1673.4	1666.6	1684.8	1717.6	1370.1	1717.6	986.9

FINANCIAL TIMES SURVEY

Monday September 15 1986

UK Engineering

The mechanical engineering sector is still going through a difficult patch after years of contraction and in the face of fierce competition from other countries. A number of the successful companies are concentrating on specific products, or finding new markets.



Machining an engine control unit for handling fuel flow in a Harrier jet aircraft

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Restless concern about changes

By Nick Garnett

THE UK's mechanical engineering industry has been in restless mood during the past year. Slightly unsure of itself again after the post-recession euphoria —with some export markets faltering and only weak domestic demand to fall back on — the industry has been the subject of a wave of potentially significant changes.

Takeovers, both welcome and unwelcome, have come thick and fast; many resulting from the predatory instincts of half-a-dozen mini - conglomerates whose long-term influence on the structure and behaviour of British engineering has yet to be determined.

The Japanese have arrived in the UK as equipment assemblers in two sectors for the first time — Komatsu in construction machinery and Yamazaki for machine tools—with the help of Government cash assistance that has annoyed indigenous manufacturers already struggling with production overcapacity.

The industry's unions have been locked in discussions with the Engineering Employers Federation representing 5,000 companies over proposals for ground-breaking changes in labour practices.

In return for a reduction in the 39-hour working week which, if granted, would have major repercussions for the rest of British manufacturing, the unions have offered virtually to end restrictive demarcations and give employers greater control over the deployment of workers.

Training is benefiting from some new and positive developments but some very serious medium-term worries surround the UK's skills pool.

The Amalgamated Engineering Union, the main union in engineering, has agreed to end time service which means that all craft training will be based on industry standards. The Youth Training Scheme is becoming increasingly integrated into the first-year craft training.

However, the recruitment of apprentices has been wallowing at a perilously low level throughout the 1980s. The Engineering Industry Training Board believes that by the end of the decade the industry will suffer from a serious shortage of technicians and, in some parts of the country, of craftsmen.

Meanwhile, engineering's 45 professional institutions show few signs of reducing their numbers to a more manageable figure. The proposed merger of the Institution of Mechanical Engineers and the Institution of Production Engineers failed to secure the required votes of their members.

Dr Kenneth Miller, director-general of the Engineering Council would like to see a smaller number of professional bodies but at least they are working closer together with each other these days in groupings within the council.

The main concern of the mechanical engineering industry, however, is the shakier trading conditions affecting most, but not all, of its sectors this year.

Managers and their workforces worked hard during rationalisations of the early part of the 1980s, introducing more competitive products and re-learning the art and the grind of exporting.

Many companies have retooled, begun to grasp the importance of workflow and the serious costs of getting that wrong. They have also introduced some limited improvements in labour flexibility.

Some companies too have chosen to make a new living in niche markets, which up to now is a strategy that has worked. That was particularly so in machine tools. All these changes paid dividends in 1984 and through part of last year.

Since then however, optimism has been tempered as exporting, for a number of the most important mechanical engineering sectors, became increasingly stickier.

It is not just Britain that has suffered. The vastly larger and healthier West German engineering industry has also found exporting tougher but it has the comfort — a 4.5 per cent increase in domestic demand within the Federal Republic.

A major question staring the UK's engineering industry in the face is whether this is just a cyclical downturn in which many other manufacturing industries are also struggling, or is it something more deep-rooted where the traditional weaknesses of under investment, small volumes and indifferent marketing will again be laid bare.

Many years of brutal contraction left deep scars on mechanical engineering but it is still a much larger, and in some sectors much more thriving, industry than most people imagine.

All the UK companies involved in engineering — including aerospace, car makers, shipbuilders and electrical as well as mechanical engineers — employ a total of 2.1m people in the UK with combined sales last year of £83bn.

Mechanical engineering accounted for more than a quarter of that figure and is only marginally smaller in total turnover than electrical and instrument engineering, the growth sector of the 1970s and early 1980s and on which Government ministers pinned so many wildly unrealistic hopes. Mechanical engineering employs directly about 630,000, only marginally below that of electrical and instrumentation.

Total engineering employment has dropped by a third since 1979. Within that fall though the employment structure has been shifting significantly. Manual employment has dropped by more than 40 per cent from 2m to 1.2m while the number of scientists and technologists rose by 45 per cent.

Within mechanical engineering, the UK has world leading companies in such sectors as process plant, power generation and construction equipment, while in a few areas of activity, such as tractor building, the UK ranks right at the top of the Western world league as a volume producer. In some other sectors, though the UK has become much smaller and weaker.

"Mechanical engineering is still a large sector, involving a considerable amount of new and developing technology," says Mr Ian Thompson, the EEF's economic adviser: "Total numbers employed in engineering though have declined and will continue to decline but employment of scientists and technologists will continue to increase."

The rise of engineering company share prices reflected higher profits and a more fashionable standing for them in the City of London. It also partly mirrored the activities of the mini-conglomerates like Williams Holdings, F. H. Tomkins and the Abdullah Brothers' Evered Holdings.

Mainly characterised by young entrepreneur-style owners and managers, decentralisation and tight financial controls, these companies remain relatively small in the industry and their long-term impact questionable.

Companies that have changed hands this year in the rush of acquisitions include valve maker Pegler Hattersley, Fairey Engineering, Duport and some GKN subsidiaries. Associated Engineering and even TI have also been caught up in one form or another in the maelstrom of take-over attempts, or speculation. Bid failures have included those of Siebe for APV and Evered for McKechnie.

Engineering shares took a knock last month after a disappointing review of the second half of this year from GKN but shares subsequently rallied.

Output from engineering actually rose marginally in the UK during the second quarter of this year and mechanical engineering showed the most marked increase.

Overall, there are other, more worrying, indicators. The 350 member companies of the National Associataion of Steel Stockholders report a 9 per cent drop in sales so far this year.

Tonnage sold by the forging industry was down by 12.5 per cent in the first six months of this year compared to last though much of this fall is accounted for by difficulties in vehicle manufacture.

Many industries continue their complaints about lack of soft loans and general Government disinterest in the practical tools to assist export drives, as well as the paucity of domestic demand and the low levels of domestic capital equipment spending.

The state of health of the different sectors and the problems they face in particular markets vary markedly though. Tough times look to be ahead for many process plant manufacturers but some specialist areas within that sector are more bullish than they have been for some time.

Paper machinery makers made a strong comeback after the disastrous times of the early 1980s when demand slumped as many paper mills worldwide shut down. Many companies in this sector are still performing very well but say some of their domestic competitors failed to make the product changes when they had the chance and might now be too small to survive.

Some observers believe electricity generating plant manufacturers might start running out of work next year. Britain is now the Western world's biggest producer of tractors alongside Italy but output from British plants is almost 20 per cent down this year as world agricultural equipment markets continue to slide.

The machine tool sector staged a remarkable recovery from its problems four or five years ago when some were writing it off. In particular, manufacturers of the all-purpose machining centre have regained a lot of market share from the Japanese. The domestic market has recently become much more difficult and exports are not as thriving as they were last year. Job shedding has returned to this sector.

Most manufacturers of the heavier type of mining equipment have enjoyed a strong domestic market following the ending of the 1984-85 miners' strike and have been selling well abroad, particularly "long-wall" technology for which Britain is a world leader.

The rate of pit closures though is bound to disrupt the UK market in the medium-term and some companies are reporting that the economic downturn in the US — Britain's biggest export market — is beginning to hit sales.

Construction equipment is to some extent at variance with the rest of mechanical engineering. The domestic market has grown by up to 10 per cent this year and analysts forecast an increase in output from British plants of about 7 per cent.

The optimistic view is that British engineering will pick up again at the start of next year after a somewhat sticky 1986. But if his view proves wrong, mechanical engineering might enter a new phase of redundancies and factory closures, not on the scale of the recession but painful enough to remind everyone of the fragility of British manufacturing.

Process plant

Tough times ahead at home and abroad

THERE ARE tough times ahead for British suppliers of process plant. At home, the future of some major capital projects is shrouded in uncertainty. Abroad, they face increasingly tough competition.

However, the picture is by no means universally gloomy. Indeed, some parts of the industry, particularly the plant, vessel and process equipment sectors as surveyed by the Process Plant Association, are more optimistic than they have been for some time.

Total expenditure on plant by UK process industries, which has been rising steadily since 1983, is expected to peak this year. One of the largest question marks hangs over the offshore oil and gas production sector, with the effect of falling oil prices on plant orders likely to make itself felt most strongly next year.

UK process plant suppliers could have done without the additional doubt surrounding the fate of the nuclear power programme. Most of the suppliers that would benefit from a government go-ahead for Sizewell B could also expect work from a new line of coal-fired stations, but not for some time.

While the future of some large capital projects may be in doubt, there is increasing demand for smaller and more sophisticated plant. One example of improvements to plant technology is the replacement of analogue with digital controls to increase energy efficiency and optimise production.

Refurbishment and modification (R and M) of existing plant is also a growing part of the market, particularly in the chemicals and petroleum refining sectors which have seen the largest increases in process plant expenditure. New build now covers only about 40 per cent of total investment in the chemical industry, for example, compared to 50 per cent a few years ago, while investment on R and M has risen from 21 per cent to 52 per cent.

The CEGB's expenditure on repair, maintenance, refurbishment and new plant is likely to increase above its present level of £500m, while BSC spending is almost entirely on improving or refurbishing plant.

R and M provides profitmaking prospects for the same companies that would have supplied new plant. In the US, pump and valve suppliers, for example, have done well in the recession by specifically aiming for the growth R and M sector, achieving better profit margins than they have on supplying exclusively new equipment, though a good deal of R and M work represents a demand for new products.

In this changing market, the plant suppliers that adapt most effectively will be the ones to survive. More and more UK companies are introducing computer-integrated manufacturing, for example, while American companies stress the importance of "cell manufacturing" techniques to improve the flexibility of machines and workers, enabling them to make products in very short runs and at short notice.

Such techniques are especially suited to R and M work, says Mr Ian Maclay, secretary of Nedo's economic construction and process plant economic development committee, who last year visited North American suppliers. "An oil company with a broken pump will pay over the odds to get it back in hours rather than days."

However, R and M work is unlikely to fill the gap left by the fall-off in new orders at home, a situation not helped by the openness of the British market, while other industrialised countries have surrounded their industry with protective rings.

Even the oil industry, which places between 70 and 80 per cent of its orders for plant in the UK, has proved far from a pushover for the British plant suppliers. About half of that business goes to overseas-owned companies. This openness has been a spur to competitiveness for UK companies in an increasingly international market. In the past, multi-national client companies operating in the UK have accused its plant suppliers of being complacent in the home market.

But it has had adverse effects also. Some UK buyers of process plant have bought cheaper, lower-quality plant from overseas, using the savings to employ managers to inspect production to ensure that a suitable standard of product is achieved. "This policy has the danger of driving some good UK suppliers out of business by encouraging second-rate companies at the expense of the real industry," Ian Maclay says.

Process plant suppliers are responding to these challenges. They are starting to look at ways of developing their equipment by, for example, offering project management as well.

Management development is seen as another important issue, with the need to attract more graduates, not just to manage the change now reverberating through the industry but to improve the flow of technology from academia. Companies are also being encouraged to draw up a long-term manufacturing strategy.

While the home market for process plant may be generally uncertain, overseas markets could present suppliers with good opportunities. But to compete in the world market, size will be all-important.

Europe could provide companies with a stepping stone, allowing them to grow in strength and capability before taking the risks on a world market. A wider European market, with the present trade barriers removed, would also help smooth out the peaks and troughs faced by suppliers to the UK market.

According to Mr Maclay: "Our process plant suppliers have been in the comfortable situation of having a strong international contracting industry based in Britain to sell to. They would possibly get a better share of overseas business by selling direct to international, particularly Japanese, contractors working in third markets.

"Japanese contractors are now reviewing their procurement policies. It is possible to get business with them which hasn't been true before and may not be true in a few months' time, when they have selected their partners."

Alastair Guild

This articulated loading shovel made by JCB also has four-wheel drive, enabling it to work in difficult conditions and confined spaces

Construction equipment

Domestic market well up

CONSTRUCTION equipment makers have enjoyed considerable trading stability this year. The equipment market worldwide has eased off the bottom and the UK domestic market might be up by as much as ten per cent during 1986.

Some 25 significant producers are engaged in making construction equipment that rolls or crawls, with a total turnover estimated at between £670m and £760m. Close to 10,000 people are employed in manufacturing construction and allied equipment, producing 16,000 "vehicles" of one type or another, according to marketing consultants, Plantecon.

Profitability levels have been improving this year and the Corporate Intelligence Group, another marketing consultant company specialising in construction and agricultural machinery, forecasts that UK output of construction equipment will be 5 to 10 per cent higher this year than last.

British producers have been generally pleased at the progress they have made on quality and productivity. However, one study has put productivity of European plants as measured by turnover per employee at between 1.6 and 2.8 times higher than in the UK.

A number of significant developments have been reshaping parts of the sector recently. Four directors of Ruston-Bucyrus, which makes mechanical shovels, draglines and cranes in Lincoln, bought the business from Becor Western of the US for £4.2m. Ruston-Bucyrus had been a joint venture between Becor and GEC of the UK.

The BM group, a construction industry supply arm of C H Beazer, bought Benford Concrete Machinery for more than £20m.

Sanderson took over the Priestman business in Hull as part of the fall-out from the demise of the Acrow group, while Caterpillar of the US moved into commercial production of its new backhoe loader in Leicester.

Cat has decided to source its worldwide requirements for backhoes from Leicester and make all its D6 crawler dozers for the West at its Glasgow plant. Cat also has the DJB articulated dump truck plant in the North East. Articulated trucks have become increasingly popular at the expense of rigid dumpers.

By far the biggest potential change on the construction equipment scene was the decision by Komatsu of Japan, the world's number two construction equipment maker, to assemble hydraulic excavators and wheel loaders at a factory vacated by Cat in Birtley, near Newcastle, Tyneside.

Dumping duties on Japanese hydraulic excavators of up to 31 per cent had earlier been imposed by the EEC. That has given some respite to British and European makers facing Japanese competitors whose penetration in the UK for this product, for example, had reached 38 per cent.

Those dumping duties though helped push Komatsu into its decision to build in the UK. The £12.5m production project was vociferously opposed by the Federation of Manufacturers of Construction Equipment and Cranes, ostensibly over the £2.35m of direct government assistance the project is receiving.

Komatsu is somewhat behind its start-up schedule but assembly of mid-weight excavators and wheel loaders should begin next spring. The company intends to assemble 2,400 of these a year, split between the two products, by 1988.

Mr Torio Komiya, managing director of Komatsu UK, says the company will not rule out building anything from its product range that the Birtley site can handle and Komatsu can sell.

Mr David Phillips, of the Corporate Intelligence Group, argues that while the market is tough with every sale "like taking out nails," UK manufacturers are benefiting from past years of rationalisation and that those manufacturers still in the picture should be capable of surviving. "I cannot see any that have a death knell hanging over them," he says.

JC Bamford dominates the UK scene, its £200m turnover representing about a quarter of overall UK output. Some 70 per cent of its sales are accounted for by backhoe loaders.

JCB says its production this year is up 10 per cent on last year. "We feel that the equipment market is climbing out of the slump," the company says.

Other companies with significant production sites include Grove-Coles—product of the purchase by Grove of the US of Coles, renowned for its mobile cranes; Terex, which makes a range of products from dump trucks to graders and scrapers; and MF Industrial (part of the Variety Corporation), whose Manchester plant is the worldwide source for the company's backhoes.

Aveling Barford, which produces a range of equipment including dump trucks and is the only UK manufacturer of motor graders, echoes the sentiments of many other UK producers. "The market is better now than it has been for some years but it is still very, very competitive and will become more so."

UK manufacturers have done reasonably well exporting and much better than some of their European competitors such as Italy. According to Plantecon's figures, however, the British construction equipment industry is only a half the size of that of West Germany (and some observers put it much smaller even than that) and with a turnover just three-quarters of that of the industry in France.

Nick Garnett

Leading machine tool export markets 1983-5*

1983	\$m	1984	\$m	1985	\$m
All countries	210.3	All countries	228.3	All countries	265.9
EEC	49.9	EEC	53.5	EEC	65.3
1 US	38.5	1 US	59.8	1 US	68.4
2 W. Germany	17.2	2 W. Germany	20.7	2 W. Germany	25.4
3 S. Africa	15.7	3 France	11.4	3 Canada	14.7
4 France	15.7	4 USSR	10.7	4 France	13.3
5 USSR	9.6	5 S. Africa	9.8	5 China	10.7
6 India	9.5	6 India	8.2	6 India	8.9
7 Mexico	7.8	7 Canada	7.3	7 Australia	7.5
8 E. Germany	7.8	8 Sweden	6.3	8 Sweden	7.2
9 Sweden	7.3	9 Italy	6.2	9 USSR	7.1
10 Italy	4.6	10 Switzerland	5.2	10 Switzerland	6.2
11 Canada	4.6	11 Belgium	4.7	11 Netherlands	5.9
12 Switzerland	4.4	12 Egypt	4.3	12 S. Africa	5.6

* Includes export of new and used machines.
Source: Customs and Excise.

Machine tools

Sales up but the home market sags

ON THE face of it at least the British machine tool industry has not been performing too badly.

Total sales last year were up 20 per cent to £609m, the second successive very substantial increase. This compares very well with the low point of 1981 when sales collapsed from £590m in the previous year to £430m.

Imports have been held at below 50 per cent for the past three years. The 47 per cent import penetration by value in 1985—dominated by West German manufacturers which accounted for more than a quarter of the £304m of exports to the UK that year—was the lowest percentage penetration since 1979.

According to figures from the Machine Tool Trades Association, exports have fallen steadily as a share of total output to 44 per cent in 1985. But those figures partly reflect the disastrous collapse in the home market in the early 1980s when exports soared as a proportion of much lower overall output.

This year, however, the domestic market has sagged, along with many other UK sectors that purchase engineering equipment. Machine tool companies in general are having a stickier time of it than they did in 1985.

"This year sales are patchy," says Mr Ron Bull, president of the machine tool association. "Some companies are doing reasonably well and some are not doing so well. There is a decline in the UK market this time and we are in one of those cyclical downturns."

Job shedding has again returned to the industry. Through the late 1970s and then into the depths of recession the UK's machine tool workforce slumped from 45,000 to 30,000, but when the market picked up in 1984 and 1985 employment rose by 2,000. It now seems to be slipping again.

Companies are continuing to export quite strongly but the US is not the healthy market it was last year. The US and West Germany have been the two biggest overseas markets for British companies for some time though China has risen from nowhere to become the fifth most important overseas sales area.

Mr Bull expects the industry to come out of this downturn at the beginning of next year, producing a much stronger performance in 1987. He concedes though that this is partly based on crystal ball gazing and that 1987 might not turn out the way machine tool makers hope.

A number of events and trends have made an impact this year. The announced closure of TI's plant at Blaydon near Newcastle to more profitably concentrate activities at its Coventry site reminded everyone that rationalisation was not a thing of the past.

The arrival of Yamazaki which will begin assembling a range of small and medium-sized lathes and machining centres in Worcester later this year with the help of £5.2m of Government assistance sent shockwaves through the industry.

That company's output will surely hurt a number of indigenous manufacturers and Yamazaki has already raised its output targets by 65 per cent to over 700 units a year.

The Bridgeport machine tool operations were brought out by its American managers from its US parent, Textron. The new Bridgeport company has sites in the US and at Leicester and Bridlington in the UK and there is some annoyance among British managers that they were not allowed to purchase the UK end of the business. Bridgeport claims to have become the largest machine tool producer in the UK in terms of sales.

One significant trend has been a remarkable fight back by British machining centre manufacturers, including Bridgeport, TI, Wadkin and the family business of Beaver in Norwich. UK-made machining centres now account for 40 per cent of unit sales as against 25 per cent four years ago.

One further trend that has helped many British machine tool companies is the rise of the yen and the damage this has done to Japanese machine tool producers and their sales in Europe.

Importers of Japanese machine tools have been changing their marketing tack by stressing quality and their ability to put "systems" together rather than concentrating on the price aspect of machines.

Nick Garnett

Mining equipment

Staring at imponderables

MINING EQUIPMENT makers are staring at a number of imponderables. Many of the manufacturers, particularly those supplying the heavier equipment used in longwall mining, are enjoying a good year in the domestic market following the traumas of a nosedive in demand during the 1984-85 miners' strike and its aftermath.

They have benefited from British Coal's productivity drive and its increased investment at the coalface, particularly for the new kinds of very heavy machinery.

The medium-term outlook for the domestic market is cloudy though because the rapid rate of pit closures will eventually sap demand for equipment.

During the miners' dispute many companies redoubled their exporting efforts and this paid off. However, the slowdown in economic growth in the US—by far the biggest export market for British-made equipment—is already beginning to puncture some of the UK manufacturers' buoyancy.

To add to this problem South Africa and Australia—number two and number four respectively in the foreign markets for British manufacturers—have been hit by currency devaluation and sliding oil prices.

Export sales of mining equipment produced by the 67 members of the Association of British Mining Equipment Companies rose to £313m last year from £186m in 1984.

Underground equipment accounted for all that growth, sales rising by 17 per cent to £171m. Exports of surface machinery slipped badly by 14 per cent, mainly due to the completion in 1984 of several large projects in Asia.

Producers of coal-cutting power loaders, powered supports, armoured face conveyors and other equipment for longwall mining—in which long walls of coals are removed on the edge of the seam with roof supports introduced as the coal is cut—account for about a half of sales.

Longwall mining equipment is dominated by the eight members of the British Longwall Mining Association—Anderson Strathclyde, British Jeffrey Diamond, Dowty Mining and Dowty Meco, Fletcher Sutcliffe Wild, Gullick Dobson, Huwood and Mining Supplies. Dosco, part of Hawker Siddeley, is also a substantial supplier, mainly of tunnelling equipment.

Members of the longwall mining association together secured sales of £460m last year, of which £97m were exports. However exports were only marginally up on last year's £94m.

Mr Jack Shepherd, chairman of the longwall mining association, says best sales prospects are in the US, India, South America and the Far East. He complains though that the UK does not provide enough soft loan packages for engineering exports and that much of what is available is swallowed up by power station contracts.

"Unless the Government changes its stance on these, the opportunities will pass us by," he says.

Some long-term positive factors might work in the favour of longwall equipment for which British makers are among the world leaders. For example, longwall mining is becoming more competitive worldwide with opencast and more traditional mining systems, and coal mining worldwide is growing.

Nick Garnett

Paper machinery

Emerging from rationalisation

AGAINST the odds, the UK paper and printing machinery industries are emerging from difficult periods to compete well in home and overseas markets.

The most trying time for paper machinery makers was the early 1980s, when a recession hit the paper industry worldwide and many mills were forced to close. These released a lot of secondhand machinery on to the market, reducing still further the demand for new equipment.

However, the mills that survived came back stronger, one estimate suggesting that last year, the UK pulp, paper and board, and "converting" industries invested more than any other EEC country in new equipment.

Papermaking machinery makers generally responded to the recession by trimming their workforces, and rationalising their product lines. Black Clawson International, whose joint managing director, Mr Eric Langdon, is also chairman of the British Paper Machinery Makers Association, shed 200 of its 1983 workforce of 400. "We had an enormous range of products, from one end of the paper mill to the other, and decided instead to zero in on countries and customers."

Black Clawson also closed its own foundry supplying it with specialised steel castings and now buys these from outside.

Rationalisation seems to have had the desired effect. Sales by the 41 member companies of BPMMA have increased steadily over the past two years. In 1984, they sold £81m worth of equipment, of which exports were £49m or 60 per cent. For the year ending last May, sales were worth £120m, with exports reaching £74m or 61.5 per cent.

At the same time, the larger UK companies have placed increasing emphasis on product development and strengthening research and development programmes. Britain is now in the lead in technology for the cleaning and preparation of wastepaper for use in the printing industry, and in machinery for washing pulp.

In other areas, such as high-speed machines used in the lightweight paper and tissue industries, it lags behind. "We cannot stand still in this area," Mr Langdon says.

UK machinery makers face tough competition in the home market from Finnish, Italian, German and French companies. "After the recession, we had to make sure that every managing director and chairman knew we were still alive and well, because our foreign competitors wanted to drive UK companies into the ground."

But many believe that it is on the strength of its performance in overseas markets that the fortunes of the UK industry will rise or fall. There, external factors such as currency fluctuations and the political situation are likely to determine its success. British companies also face competition from countries often offering better finance terms than the UK.

One example is China, where Mr Langdon leads a trade mission next month. Association members are already very active in the PRC, have won a number of contracts and the potential is thought to be considerable. But the Finns, Germans and Swedes have all developed soft loan facilities, and their paper machinery manufacturers are taking full advantage of the situation.

Mr Langdon says: "If the BPMMA had only £20m of the £300m long-term, low interest loans offered by the UK Government, this would have been an excellent backdrop to our trade mission. But when the soft loan facility was announced, we were told it was already spoken for by the larger UK organisations."

The Massey-Ferguson 290 farm tractor at work

The British printing machinery industry, which is similarly heavily dependent on overseas sales, has had to adapt to rapid technological change in the printing industry. Perhaps most significant has been the declining market for hot metal presses, at least outside the Third World and Eastern Europe.

The UK seems to have earned its spurs, last year occupying equal second place in the world export league with Japan and the US, each shipping some US$400m of equipment; with Germany undisputed leader at US$1bn. During two weeks at the Drupa exhibition in Dusseldorf in May, Britain achieved sales in excess of £100m.

The largest market for UK products is the US, which in 1984, OECD statistics show, took US$90m worth of British typesetting, press and pre- and post-press equipment.

Most successful is the pre-press sector. According to figures from the British Federation of Printing Machinery and Supplies (BFPMS), the UK has over 20 per cent of the world market. For example, Crosfield Electronics' US subsidiary achieved a turnover of £35m last year.

Time Magazine in New York runs its total colour pre-press operation on Crosfield equipment, spending £20m in the last three years with the company in setting up colour imaging and data transmission to eight printing sites in the US.

Monotype has recovered well from the decline of hot metal over the last 20 years. Founded in 1897, its hot metal typesetting machines are in use in book printing plants around the globe.

The company's development of the first laser typesetting machine in the world has taken it into the newspaper market, while it was the first company to harness new technology to the task of setting Chinese. The majority of China's official typesetting needs are now handled with Monotype equipment.

British manufacturers of printing presses have also performed well in world markets. They are the world's largest exporters of equipment for printing wall coverings, for example, while British equipment now produces 75 per cent of all pocket books printed in the US and Canada, approximately 200m copies annually.

Alastair Guild

Agricultural equipment

Output reflects downturn

MANUFACTURERS of farm tractors are having a difficult year in 1986 and producers of other agricultural machinery in the UK, while not suffering to the same extent, are also chasing sliding markets.

Sales of all farm equipment in 1985 totalled £1.3bn, a small decline from 1984 levels, with £980,000 deriving from tractors and £300,000 from all other types of machinery, according to the Agricultural Engineers Association. This year is expected to turn out much poorer.

Output of tractors in the UK, which ranks alongside Italy as the biggest producer in the Western world, slumped by 19 per cent in the first six months of this year compared with the same period last year. This reflects the continuing downturn in world demand for agricultural equipment. Domestic demand in the UK actually fell by 27 per cent.

However, the three principal tractor makers in Britain—Ford, Massey-Ferguson and Case International—together export 80 per cent of their output and the very large positive balance of trade in tractors reflects one of the healthiest sectors in the UK.

It is a sector too that is investing. Massey is half way through a three-year retooling and modernisation programme in Coventry and after the purchase of International Harvester's farm equipment business by Case, the merged business has reopened a mothballed tractor plant in Doncaster.

The UK is a much smaller producer of other agricultural machinery. Its output, 50 per cent of which is exported, is probably less than half that of West Germany and smaller than in France and Italy.

Sales of British-made non-tractor agricultural machinery for the domestic market looks like being about 20 per cent down this year. Exports are also lower though by a much smaller percentage.

Taking tractors and all other forms of agricultural equipment, the UK has probably a higher export ratio than any other country.

Nick Garnett

Trade unions

Streamlining to meet the changes

INDUSTRIAL RELATIONS in the engineering industry stand poised on the brink of massive change. By the end of the year, says Mr Bill Jordan, new president of the Amalgamated Engineering Union, unions and employers in this often highly traditional industry should have concluded a radical new deal on hours and working flexibility which will revolutionise how companies and employees act towards each other.

That the industry, and its unions, would have to change nationally has become increasingly apparent in the 1980s as the cold bite of economic depression has chewed on companies' competitiveness, profitability and viability.

In employment terms, the impact has been extraordinarily dramatic — jobs in the industry, according to the Engineering Employers' Federation, are down by 34 per cent, from roughly 3.2m when the Conservative government came to power, to about 2.1m at the beginning of this year.

That huge change has been accompanied by, and has stimulated, other shifts within it. These include:

● A considerable increase in the use of computer technology, requiring a corresponding change in the industry's mix of skills — furthering a move away from strictly manual work to much more white-collar styled employment;

● Many more female employees, especially in the production areas of electronics and electronic engineering;

● And a geographic shift away from the industry's old heartland areas — especially the West Midlands — towards the new, more technical, engineering companies around the market towns of the south, and in employment growth areas such as the M4 corridor, Cambridge, and south Hampshire.

Such structural shifts have prompted a twin dynamic: they are forcing often very hidebound employers to change the way they work, to introduce working practices considered both outlandish and unreachable a couple of decades ago. And they have presented the industry's unions with a challenge to change — significantly, largely accepted, which Jordan and Gavin Laird in the AEU, Roy Sanderson in the electricians' EETPU and others have come both to define and to symbolise.

In a sense, the talks currently taking place between the EEF and the Confederation of Shipbuilding and Engineering Unions on flexibility and hours are only pushing to a national level what many companies in the industry have been doing at the grass roots for some time.

Some companies — though probably considerably fewer than looks the case from the attention the move has provoked — are restructuring their workforce by means of numerical flexibility, greatly expanding their use of contract, temporary or part-time labour, to form a peripheral group of workers around a much more highly skilled, highly paid core group of direct employees.

Rather more companies — among them Babcock Power, Perkins, Caterpillar Tractor, Borg Warner, Eaton — are introducing forms of functional flexibility, in which old demarcation lines are broken down, and employees moved from job to job as circumstance and their skill match requires.

This is the area of the EEF-CSEU flexibility talks, trying to break free — not without opposition — from the demarcation restrictions which for so long have often baffled foreign companies considering setting up in the UK, pushing them either towards non-unionism (a growing trend) or towards much more radical industrial relations practices, such as the strike-free deals being signed by the EETPU, AEU and other unions.

But it may be as much attitudinal as practical. "We're trying to get away from the concept of competition between management and employees," says Paul Humphries of Borg Warner, after the company's agreement to its astonishing six-year pay and flexibility deal, "and replace it with competition between ourselves and our competitors."

What the EEF is seeking is very much in line with that kind of thinking: complete flexibility of work, no demarcations, and full management control. In a significant move towards the kind of single-union agreements which have caused controversy inside the TUC, the employers have also tabled proposals for joint bargaining arrangements, which would move away from traditional multi-unionism and effectively act as a string of single-union arrangements.

The unions in the industry are responding to these demands by seeking a further cut in working hours.

But behind that immediate claim lies a much greater radicalism of approach.

Under Laird, now assisted by Jordan, the AEU has transformed itself from a stumbling giant of a union to a sleek, highly efficient organisation. Tass, formerly the old engineering union amalgamation's white-collar section, has scooped up a list of small, ailing unions and pushed itself much more aggressively into areas of engineering outside its previously wholly white-collar base, to the extent that it now dubs itself "the manufacturing union."

The EETPU has emerged more successfully than any other UK union a consensual, market-based philosophy with practice, concluding a string of strike-free deals judged extraordinary by any standards.

Dr James MacFarlane, EEF director-general, says of all these new developments that "assuming the promised advantages materialise (they) could in time exercise a profound effect on British industrial relations culture."

Philip Bassett

Education and training

Horizons widened by new contacts

EDUCATION and training of engineers is a major policy priority for the Engineering Council, the independent body set up to represent the profession which now has 300,000 chartered and technician engineers on its register.

It was a subject which dominated this year's Engineering Assembly at Swansea, an annual conference which the council has established to give rank-and-file engineers a new platform on which to discuss matters concerning the profession.

The council, founded after the Finniston Committee's inquiry into the engineering profession, exists alongside the 45 engineering institutions.

Relationships between the council and the institutions have become more successful than some doubters suspected would be the case. And, in what could prove to be an important new widening of the horizons of engineering and technology in Britain, the council has recently established relationships with the British Computer Society.

Speakers at the Engineering Assembly made it clear that the need to train an adequate supply of professional engineers—and ensure that the education system is capable of meeting this objective—is deeply appreciated in the profession.

A Call to Action, a new report published by the Engineering Council, identifies the lack of continuing education and training for engineers and technicians as a significant handicap to Britain's industrial competitiveness.

It says there is a great deal of evidence to show that Britain is falling behind its industrial competitors in ensuring that the skills of its professional engineers remain up to date.

The council calls for a "radical change of attitude" towards continuing education and training, and argues that there are sound economic justifications for this. It says that companies which are committed to updating the skills of their professional engineers are more successful commercially than those which are not.

Individual engineers and technicians, the report says, need to be more confident and motivated towards self-learning, and the academic and professional institutions need to market their training more effectively.

An industrial consultants' study carried out in conjunction with the report stresses the importance of the commitment of senior management in companies if training is to be successful.

Investigations were conducted in a range of companies chosen to be reasonably representative of the engineering industry. The researchers divided continuing education and training into two categories — that needed to develop and perfect existing products, and education "into the broader range of technologies which may influence products, processes and markets in the future."

The inquiry found that almost all the training being carried out in the engineering companies was in the former category. A more long-term approach "appeared to be almost non-existent."

A large number of companies — 82 per cent of those included in the survey — relied on the temporary hiring of skilled staff, possibly as a substitute for offering their permanent employees adequate continuing training.

Thirty-four per cent of companies believed that continuing education and training helped to keep staff happy, with one organisation saying this was the only reason for providing it.

The research produced evidence to suggest that very few professional engineers plan their careers ahead, and that there is "little ambition" to reach the top. But, says the report, engineers are positively motivated when they are kept up to date in companies which are committed to retraining.

Alan Pike

Pumps and compressors

Flat market as restrictions bite

THE UK PUMP industry is going through a sticky patch, though nothing compared to the recession of the early 1980s. Then many of its customers closed, while the number employed in the industry fell from its 1977 peak of more than 28,000 to about 17,000 now. The British Pump Manufacturers' Association reports activity to be flat across the board.

The market for pumps in the higher power and advanced technology ranges has been particularly affected by the present difficulties. In the past, these pumps have been used mainly by the power generation industry. But the over-supply of energy in the UK has resulted in that market almost disappearing since no power stations are being constructed.

The next most important sector has been the oil industry. It required pumps which were smaller and less valuable, but still technically quite complex. The fall in oil prices has caused oil companies to cut new investment, so that market has also diminished.

Pumps supplied to the water supply, sewage and general industries were smaller still. This sector continues to invest, but restrictions on public sector spending have severely limited the scope which might otherwise be there.

The response to this situation by the pump industry has been partly to look overseas. According to figures released by the association, total UK pump production rose from £408.6m in 1984 to £455.4m in 1985. Much of the surge in production was on the strength of increased exports, with overseas sales rising from £211.2m to £251.9m in the same period.

Company executives from Sulzer Bros (UK), for example, which has a large modern factory employing 450 people in Leeds, have spent many months seeking opportunities in the Middle East, India and China, with some success.

For instance, Sulzer has undertaken a £3m contract with Egypt's Ministry of Irrigation for the design and supply of pumping equipment for the El Omoum irrigation project; and a £2.8m contract was awarded through GEC Electrical Projects of Rugby for eight large-capacity pumps for the Greater Cairo waste water project.

Other major special pumps have recently been supplied to Abu Dhabi, Hong Kong and Mexico. Sulzer is spending millions of pounds a year on the further development of advanced class machinery such as boiler feed pumps, injection pumps and large waste water pumps to improve quality and reliability and save costs. The same policy applies to the smaller and standard pumps.

Like Sulzer, Warman International, based in Lancashire, has experienced difficult market conditions in the UK. The company makes centrifugal pumps designed to handle abrasive slurry in suspension. Its customers range from British Sugar to the CEGB and British Coal.

The company is now seeking to increase its share of overseas markets, mainly in Europe, the Middle East and India. At present, 40 per cent of sales are for export. In Europe, for example, it hopes to benefit from the standards introduced in West Germany for emissions from power stations. It believes it has a range of pumps particularly suited to that application.

Weir Pumps, part of the Glasgow-based Weir Group, exports more than 50 per cent of its production of highly-engineered pumps. The last orders it received for pumps for power stations in the UK were from the CEGB for Drax B, about six years ago, and from the SSEB for Torness. However, it has performed well overseas, with India and the Far East proving particularly fruitful markets.

About 25 per cent of Weir Pumps' business is in the water supply and sewage sector, split equally between the UK and overseas, though in the past couple of years sales to the Middle East and Nigeria have fallen off with the drop in oil prices. But the strong dollar and yen have helped the company compete on much stronger terms worldwide with its American and Japanese counterparts.

Manchester-based Mather and Platt, part of Wormald International, is even more export-dependent, with at least 70 per cent of production sold overseas. Its traditional UK customers, buying £3.5m-worth of equipment, have been the oil companies, the electricity boards, and water authorities.

The company reports activity in the power sector to be down at present while both home and overseas markets for its crude oil pumps, water injection pumps, and fire pumps for the oil industry have been hard hit by the drop in oil prices. It has found India to be one of the few fertile areas, with the state-owned Oil and Natural Gas Company now placing orders, mainly through South Korean contractors. "The Indians seem to be ignoring the oil prices," says Mather's sales manager, Gordon Gorrie.

Mather's overseas sales of pumps for the water supply sector have, like Weir Pumps, also been affected by falling oil prices. Its main markets traditionally have been Third World oil-producing countries.

The company has responded over the past eight years by cutting its workforce by 50 per cent to 1,000, but it is also investing heavily in new machines and computer-controlled plant, and last year put £1m into the modernisation of its own foundry.

Howden Compressors, part of another Glasgow-based group, James Howden, is also heavily export-oriented; about 75 per cent of the company's output is sold overseas, mainly to the US and Europe. The main UK customers for its screw compressors are the petrochemical and gas industries, and refrigeration contracting companies.

"We had a difficult time in the early 1980s, but over the past two years our performance in this country has improved," says Mr Stewart Kerr, Howden's sales director. "We survived the recession by cutting back our workforce by nearly 20 per cent. We are having to do similar things now to reduce product costs in the face of stiff competition at home and abroad, particularly from Germany and Japan."

The company, with a workforce of 350, has rationalised its product line, brought in new control systems for its compressors using computer technology.

CompAir Broomwade, perhaps Britain's largest manufacturer of compressed air systems, employing 800 people, and making a range of reciprocating, screw and turbo compressors, sees its export market growing in importance.

"Although our export business is founded on traditional markets such as the Commonwealth and Europe, countries such as China and South America are now opening up, not only as for product but for technology," says Mr Brian Cox, CompAir's marketing director.

But export markets can be volatile, particularly in manufacturing industries where worldwide economic fluctuations have a very significant impact, Mr Cox points out. So CompAir has developed not only the large export markets, but also the smaller ones, "thereby balancing the peaks and troughs

Alastair Guild

Sulzer NPV pump supplied by GEC for the Greater Cairo waste water project

Power generation

Prospects look gloomy

MANUFACTURERS in the UK power generation sector are generally gloomy about their future prospects, having seen a fall-off in orders for new equipment which shows no signs of changing direction.

The lack of orders for power station plant spreads across both conventional and nuclear plant. There is little optimism about the future of the UK's nuclear programme in terms of orders, and a recognition that orders would take some time to flow if the government were to decide to go entirely conventional.

Brokers Laing and Cruickshank describe themselves as "extremely bearish" about the prospects for UK electricity generating plant manufacturers, believing that they will progressively run out of work over the next few years.

"There is little prospect of recovery for several years at least after that," says their report, *Is There a Future for the UK Power Plant Industry?* published in July.

Some companies, such as Babcock, with 26 per cent of turnover last year in its power group, must be relieved that their interests extend beyond the power sector.

Northern Engineering Industries, in contrast, is highlighted by the Laing and Cruickshank report as the company with most to lose from the lack of power station orders, with over half of its sales in the power generation, transmission and distribution fields.

NEI claims to be able to supply up to 85 per cent of the hardware necessary for a new power plant. But it has had few home orders for the past five or six years, while the world market for some of its products has fallen to one-third of what it was in the early 1980s, with the drop in oil prices having had perhaps the greatest single effect on the company's power sector business.

According to Dr Robert Hawley, managing director of NEI's power group: "Some turbine generator manufacturers have not had any orders for years, managing to hobble along on retrofit work. With the level of power station construction worldwide running at 25 to 30 per cent of what it was five years ago, we have had to combine substantial capital investment with integrated and flexible financial packages to increase our market share."

In the past three years NEI has spent £40m on new plant at its Heaton works in Newcastle, and expects to spend a further £30m by the end of the decade.

An order for a new power station in Egypt was won with the help of "favourable" loan facilities put up jointly by UK and Japanese governments.

However, Dr Hawley recognises that retrofit and maintenance is an increasingly important source of business for NEI also. Of Parsons' annual turnover of £135m, about 40 per cent is accounted for by R and M, extending the life of existing power stations by anything from 25 to 50 years using new materials and design techniques.

With a less than two-year pay-back period possible for fitting new blades to existing turbines, for example, "utilities worldwide are increasingly looking at ways of prolonging plant life.

"Any decision to opt for a new line of coal-fired stations would be good news for us," Dr Hawley says. NEI is also part of the Severn and Mersey barrage groups. These projects could bring orders for 200 and 35 low head hydro-turbines respectively.

While the turbines made by NEI are mainly large-capacity steam turbines, GEC Rolls-Royce (Power Generation) manufactures gas turbine generator sets in the 10-70 MW range. The group, formed at the beginning of 1985, received orders worth £38m in its first financial year, split equally between home and overseas sales.

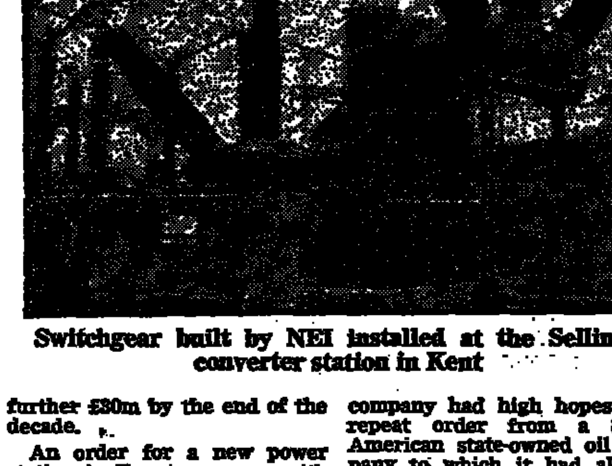
Its main market has been the oil industry which uses sets usually of between 10 and 30 NW to provide power on off-shore platforms. The fall in oil prices has put a damper on that business, both at home and overseas where, for example, the company had high hopes of a repeat order from a South American state-owned oil company to which it had already sold three turbine generating sets, each of 12 MW.

Another major customer is the public power utilities, which use sets as standby for power stations. A growing market is the use of sets in co-generation schemes, particularly in northern Europe and the US, applying the waste heat from gas turbines, perhaps to generate process steam which can then either be fed through a steam turbine to generate more power, used to supply local process plant or fed into a district heating system.

Still further down the range of power generation plant are diesel generating sets. Their sales have also been affected by the fall in oil prices, with both the Association of British Generating Set Manufacturers and the College of Power Generation in York reporting a continuing deterioration in world markets.

Last year Britain was ahead of US exports of £100m in a severely-reduced market. World sales for 1985 were down £27m to £673m. According to the latest Inside File from the college, and the Adam Foundation, published in June: "Although the picture is not uniformly gloomy, the areas of higher activity are not sufficient to offset the declines in major markets, such as Saudi Arabia. Until oil prices start to increase, and/or economic growth accelerates in the oil consuming nations, the market prospects remain very muted."

Alastair Guild



Switchgear built by NEI installed at the Sellinge converter station in Kent

Professional engineers

Concern over low intake of apprentices

IN THE public mind—and in the eyes of potential new employees—the engineering industry may still be characterised by images of metal bashing and grimy, relatively unskilled work.

But the key to the industry's success is now in the hands of white-coated graduates, technicians and craft workers who rely on their qualifications and training to carry out increasingly complex tasks.

Unskilled and semi-skilled jobs in engineering have declined dramatically during the 1980s. Today's typical engineering workers are skilled specialists—and Britain does not have enough of them.

Apprentice recruitment in engineering slumped from nearly 30,000 a year in the mid-1970s to record-low levels of well below 10,000 during the 1980s.

Total craft and technician recruitment in the 1985-86 training year is estimated at 9,300, including 1,930 young people who are following the first year of approved basic training on the Youth Training Scheme.

This is only a marginal increase on the previous year and the Engineering Industry Training Board is disappointed by the figures. It had hoped that the recovery in engineering output would be matched by a significant increase in the recruitment of apprentices and this has not yet proved to be the case.

The board is deeply concerned that the current intake rate for craft and technician apprentices will fail even to keep pace with the number of skilled workers lost to the industry each year through retirement, death, promotion, job changes and other causes.

The shortage of skilled engineering workers and technicians is in danger of worsening by the end of the decade. But many aspects of the problem are already upon the industry, particularly in the South East where some engineering employers report acute problems in obtaining suitable staff.

Shortages are not confined to the newer, high technology skills. Surveys show that employers also find difficulty in filling vacancies for machinists, inspectors, mechanical fitters and similar jobs.

But as technological change advances through the engineering industry, its future economic growth is being threatened by an even greater skill shortage problem than the one involving technicians and craft workers. The shortage of professional engineers has reached the level of an acute problem.

A survey by the Confederation of British Industry and Manpower Services Commission indicated that 71 per cent of companies were experiencing difficulty in recruiting sufficient engineers, and 38 per cent expected the problem to worsen. This, the survey found, was the most serious skill shortage problem throughout the economy.

Information technology — a market which has grown by more than 10 per cent a year over the past five years—is a particularly pertinent example of a field which is being constrained by shortages of suitable employees. The Institute of Manpower Studies, in a recent study commissioned by the Government, has concluded that these shortages will continue into the 1990s.

Against this background, the EITB believes that skill shortages in the engineering industry are likely to increase. The most fundamental cause of this—which the board and many other bodies are fighting to redress—is the straightforward fact that most British companies have a far lower commitment to training than their overseas competitors.

But the EITB is concerned about some contributory factors as well. It is worried that the number of graduates with the science and engineering skills needed by the industry is being hampered by a shortage of A-level school leavers—a problem which is itself aggravated by serious shortages of mathematics, science and technology teachers in Britain's schools.

"This raises the prospect that some potential candidates for high-tech jobs in industry may miss the opportunity because their school education has been inadequate," says the board.

"There is also evidence of the shortage of suitably-qualified candidates for technicians. Indications from EITB staff are that companies are having difficulties in filling their target number of trainees because they could not find suitable recruits."

A long-term, lasting solution to the problem requires British engineering companies to treat training as a much higher business priority than many currently do. At its conference earlier this year, the Amalgamated Engineering Union finally came into line with other unions in the industry and agreed to end time-served apprenticeship.

In future all craft and technician training will be based on the achievement of agreed standards of competence. This will make training much more flexible than in the past, and greatly increase the potential for re-training employees in new skills as markets and technologies change. But the full success of the new system will rest on the willingness of employers to step-up their recruitment of apprentices.

At more local and sectoral levels a number of other important initiatives which promise to help produce a better-trained workforce and eliminate skill shortages are progressing.

These include the start of a scheme in the toolmaking sector to train master-craftsmen on similar lines to the West German Meister system. Two initial courses are running in Coventry and Buckinghamshire which are designed to give craft-trained toolmakers the additional skills needed to become capable managers.

Another experimental scheme, running at Brighton and Bracknell, is examining the potential for helping to overcome shortages of professional engineers by upgrading the skills of engineering technicians.

A novel new educational institution, the privately-financed IT Institute, opens at Milton Keynes this autumn. The institute, a collaborative project between Cranfield Institute of Technology and a group of prominent British companies, will run on businesslike lines and has the potential for making an important contribution to overcoming the shortage of qualified information technology employees.

But the most important contribution to ending skill shortages and improving the training record in engineering must come from the industry itself. The MSC and government are campaigning to persuade employers to commit greater resources to increasing the skills of their existing employees.

Colleges are being encouraged to examine their contribution and ensure that they are offering the courses which employers need, delivered in convenient ways.

The MSC this autumn is launching a new network of local groups, in which employers will be encouraged to play a leading part, designed to ensure that skill requirements within local labour markets are more clearly identified.

The engineering industry also recognises, in Industry Year, that it has to improve its outward image if a permanent solution to the skill shortage problem is to be found. Far too many well-qualified young people, including those with engineering degrees, shun a career in manufacturing industry.

There has been a particular failure to convince talented young women that engineering can offer them challenging and rewarding careers.

In these circumstances, the success of government efforts to introduce a more vocational element into the educational curriculum, and give school leavers clearer ideas about the world of work, is of particular importance to the engineering industry.

Alan Pike

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LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
160	F.P.	5/9	185	165	Acatos & Hutcheson 50p	180	−5	bd5.25	2.9	4.1	12.0
‖	F.P.	—	55	41	Berkeley Inv. Tst	42		—	—	—	—
§45	F.P.	—	59	50	♦Broad St. Grp. 10p	51	−3	b1.1	2.2	3.0	21.1
100	F.P.	4/9	85	84	Child Med C.IT£1‡‡	85		—	—	—	—
§110	F.P.	12/9	127	111	♦Colten Int 5p	125	−2	R2.7	3.4	3.0	13.7
§130	F.P.	—	195	152	♦Creighton Labs 20p	187	−8	U3.7	2.2	2.8	22.7
134	F.P.	—	161	134	♦F & H Group 10p	150	−6	L4.76	2.5	4.5	12.4
150	F.P.	25/7	172	150	Cathrie Corp	167	−5	s5.3	2.2	4.5	10.7
150	F.P.	15/8	165	156	Harrison Inds. 10p	158	−3	s5.0	2.7	4.5	11.8
105.25	F.P.	—	108	104	India Fund £1	106		—	—	—	—
—	F.P.	29/8	£39	£36	JF Pacific Warrant S.A.	£37	−1½	—	—	—	—
110	F.P.	5/9	98	90	♦Marina Dev. 50p	92		R3.15	3.0	4.8	8.8
§75	F.P.	—	79	75	♦Newage Trans 5p	75	−2	§3.5	2.5	6.6	8.5
§25	F.P.	—	25½	25½	Nth of Scotland Inv 10p	25½		—	—	—	—
§33	F.P.	29/8	34	27	♦Omnitech 1p	28	−2	—	—	—	—
§165	F.P.	1/8	184	157	♦Smallbone 10p	160		s5.0	2.1	4.4	14.9
345	Nil	3/10	21pm	11pm	Sutcliffe Speak Ust†	15pm	−2	—	—	—	—
130	F.P.	21/8	173	137	♦TV-am 10p	164	−6	R5.75	2.6	4.9	11.0
††	F.P.	—	100	85	Welsh Ind. Inv. Tst. 5p	85		—	—	—	—
125	F.P.	—	156	138	Yorkshire TV	138	−7	R6.25	2.4	6.4	9.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
£100	£10	23/10	10½	8¾	Doncaster'th & Dist Wtr 10⅝% Red Db 1996	8¾	−¼
‖	Nil	10/10	3pm	1pm	Egerton Tst 7% Cr Cm Red Pf	1pm	−½
99.160	F.P.	24/10	101¼	98½	Elect & Gen. Inv. 10¼% Deb. 2011	98½	−1
¶¶	F.P.	—	94	86	Wellis 252% Cnv. Subord. Ln. 1988 (2½p)	86	−2
—	—	—	29	27½	JF Pacific Warrant S. A. Pref.	28	
105.523	F.P.	21/8	106½	96¼	Land Securities 10% 1st. Mort. Deb.25	96¼	−1¼
§100	£10	—	9½	9½	Mid-Sussex Water 11% Red Deb 2012-16	9½	
§100	F.P.	—	110½p	105p	Mountleigh 5.25% Cnv. Cum. Prf.	109p	−1½
§99.937	£25	24/10	25¾	23¾	Nationwide 3⅞% IL Ln. 2021	24	−1¼
—	F.P.	—	100⅛	99⅞	Do 10⅛% 17/8/87	99⅞	−⅛
—	F.P.	—	100⅛	99⅝	Do 9⅞% 7/9/87	99⅝	−⅛
§100	£10	—	10¼	8¼	Portsmouth Water 10⅝% Red Deb 1996	8¼	−¼
‖	Nil	—	8½p	6p	Rush & Tompkins 7.5% Cnv Cum Red Pref £1	6p	−1
‖	F.P.	30/9	106p	100p	Scantronic 5.75% Cnv. Cum. Red. Prf.	100p	−2
96.645	£25	—	24¾	23½	Scot. Met. Prop. 10¼% 1st Mort. Deb. 2016	23½	−⅛

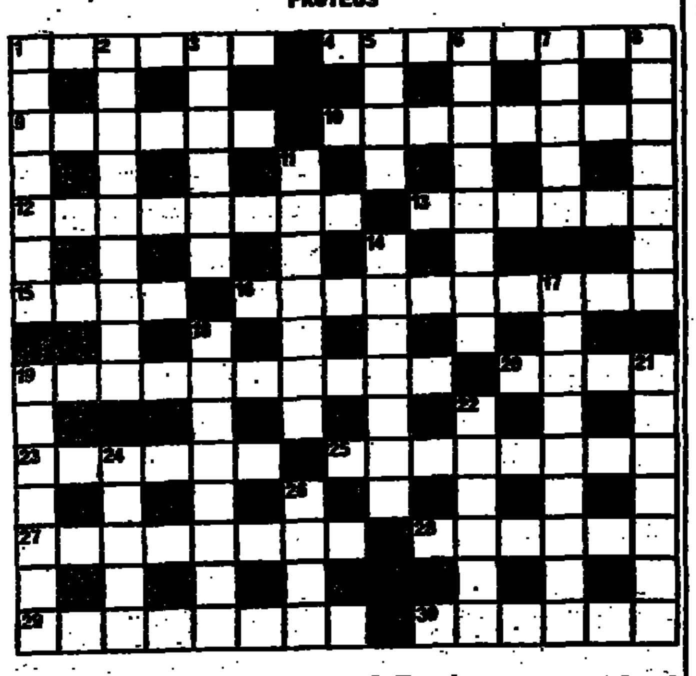
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
168	Nil	10/10	27pm	17pm	Allied Irish Banks	23pm	−4
200	Nil	—	9pm	5pm	Berkeley Technology	9pm	
138	F.P.	10/10	146½	140	Brown & Tawse	145	−1½
‖	Nil	—	½pm	½pm	Cambrian Venture Capital 5p	½pm	
276	Nil	14/10	30pm	25pm	FII Group	25pm	
215	Nil	—	25pm	21pm	Persimmon 10p	21pm	−4
315	Nil	—	30pm	18pm	Sedgwick Group 10p	19pm	−7

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures. t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." §§ Introduction. ** Issued by way of capitalisation. § Placing price. ‡‡ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment price. ♦ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. † Unit comprising of 1 New Ord., 1 9½% Red Prf. and 1 warrant.

FT CROSSWORD PUZZLE NO. 6,125

PROTEUS



ACROSS

1 Take note of outstanding achievement (6)
4 They begin with leading performer getting disturbed rest (8)
9 Service in which mother can take leading soprano? (6)
10 Service-company row involving politician (8)
12 Means to declare to be true for aeons (8)
13 Left divided (6)
15 Expression used for any limited period (4)
16 Popular book by leading salesman? (4,6)
19 Not a single variation nevertheless (3,3,4)
20 Attractive periodical market (4)
23 Assert point after legal tangle (6)
25 Blunders in showing underwear (8)
27 Contrived to lose five by not paying cash? (2,6)
28 Wager about clergyman getting military commission (6)
29 Put at risk by having to measure garden-plot (8)
30 Present-day artist accepted and loved (6)

DOWN

1 Drive down on some defensive work (7)
2 Church-mouser man found over-fat (9)
3 Annual value of book in actual terms (6)
5 Instrument for picking up swag (4)
6 Material consumer has to watch? (8)
7 Be first sales-goer to be trapped in exit (5)
8 Slight Shakespearean figure (7)
11 Go the other way back (7)
14 Goads acceptable within limits perhaps (7)
17 Defer time of return to work? (5,4)
18 Sharkskin that has turned colour (8)
19 A hit poem in fashionable style (7)
21 One refreshed without having had a positional change (7)
22 Very hot rubbish picked up free (6)
24 Was first to accept bill for mixed drinks (5)
26 Small creature with the sound of power (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Abbey Unit Tst. Mgrs. (a)

Allied Dunbar Unit Trusts PLC (a)(b)

Anthony Wieler Unit Tst. Mgmt. Ltd

Arbuthnot Securities Ltd (a)(c)

Archway Unit Tst. Mgrs. Ltd(a)(c)

Arkwright Management

Atlanta Unit Managers Ltd

Baillie Gifford & Co Ltd

Baltic Trust Managers Ltd

Barclays Unicorn Ltd(a)(c)(g)

Barings Fund Managers Ltd

Bishopsgate Progressive Mgmt. Co

Bridge Fund Managers (a)(c)

Brown Shipley & Co Ltd (a)(g)

Brycourt Unit Trust Mgmt Ltd(a)(c)

CS Fund Managers Limited

Canada Life Unit Trust Mngrs. Ltd

Cannon Fund Managers Ltd (a)

Capel (James) Mngt. Ltd

Cater Allen Unit Tst Managers

Central Board of Fin. of Church of England

Charities Official Invest. Fund

County Unit Trust Managers

Crown Unit Trust Services Ltd

Eagle Star Unit Managers

Equitable Units Administration Ltd

FS Investment Managers Ltd

Fidelity Investment Services Ltd

Robert Fleming & Co Ltd

Framlington Unit Mgmt. Ltd

Friends' Prov. Trust Managers

Funds in Court

G & A Trust (a) (g)

GT Unit Managers Ltd

Gartmore Fund Managers (a) (g)

Global Asset Management

Govett (John) Unit Mgmt. Ltd

Granville Unit Tst Mngmt Ltd

Grosham Unit Trust Managers

Greyfriars Managers Limited

Guardian Royal Ex. Unit Mgrs. Ltd (a)

Henderson Administration (a) (b) (c)

Hill Samuel Unit Tst. Mgrs.† (a)

Hambros Bank Unit Trust Managers Ltd (a)

Key Fund Managers Ltd (a)(g)

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd

Laurentian Unit Tst Mngmt Ltd

Lawson Fund Managers Ltd (a) (c) (c)

Leopold Joseph & Sons Ltd

Legal & General (Unit Tst. Mngrs.) Ltd

Lloyds Bk. Unit Tst. Mngrs. Ltd (a)

Local Authorities' Mutual Invest. Tst.

London & Manchester (Tst Mngt) Ltd

London Law Unit Trust Mngt. Ltd

M & G Group (y)(c)(z)

MGM Unit Managers Ltd

MLA Unit Trust Management

Manulife Management Ltd

Mayflower Management Co Ltd

Mercury Fund Managers Ltd

Midland Bank Group UT Mngrs. Ltd

Minster Fund Managers Ltd

Murray Johnstone UT Mgmt. (a)

NEL Britannia Unit Trust Managers Ltd

National Provident Inv. Mngrs Ltd

Norwich Unit Trust Managers

Octavian Unit Trust Mgrs Ltd

Oppenheimer Fund Mngt Ltd

Orion Royal Bk Tst. Mngrs. Ltd

Pearl Trust Managers Ltd (a)(g)

Perpetual Unit Trust Mngmt. (a)

Prolific Unit Trusts

Providence Capitol Fd. Mgrs. Ltd

Prudential Unit Trust Mngrs Ltd (a) (b) (c)

Quilter Management Co Ltd

Reed Stenhouse Inv Services Ltd

Reliance Unit Mgrs. Ltd

N.M. Rothschild Asset Management

Rowan Unit Trust Mngt. (a)

Royal Life Fd. Mngt. Ltd

Royal London Unit Tst Mngrs Ltd

Royal Trust Can. Fd. Mgt. Ltd

Save & Prosper Group

Schroder Unit Trust Managers Ltd

Scimitar Asset Management Ltd

Scottish Equitable Fund Mgrs. Ltd

Scottish Life Investments

Scottish Mutual Investment Managers Ltd

Scottish Provident Inv. Mgt. Ltd

Scottish Unit Managers

Scottish Widows' Fund Management

Scotbits Securities Ltd

Standard Life Trust Mngmt. Ltd

Stewart Ivory Unit Trust Mgrs Ltd (a)

Sun Alliance Fund Management Ltd

Sun Life of Canada Unit Mgrs Ltd

Sun Life Trust Mngt. Ltd

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)

TSB Unit Trusts (b) (c) (y)

3i Unit Trust Managers Ltd

Target Trust Mngrs. Ltd (a)(g)

Templeton Investment Management

Thornton Unit Managers Ltd

Touche, Remnant Unit Trust Mngt Ltd

Trades Union Unit Trust Managers

Transatlantic and Gen. Secs. Co (y)

Triton Fd Mngrs. Ltd

Tyndall Managers Ltd (a)(b)(c)

UK Provident Unit Trust Managers Ltd

Unit Trust Account & Mgmt. Ltd

Vanguard Trust Managers Ltd

Wardley Unit Trust Mngrs Ltd (a)

AUTHORISED UNIT TRUSTS & INSURANCES

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	20.4	21.8	.....	0.15
Pacific Basin	16.3	17.4	-0.1	0.2
Canadian Balncd Grwth	57.6	61.6	-1.6	0.98
Cinvle Mac	100.9	105.3	-0.4	7.1

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	57.5	59.1	-1.9	1.75
British Growth (z)	66.2	68.1	-2.1	2.00
British Income (z)	65.9	67.8	-1.6	4.50
British Extra Yield(z)	50.5	51.9	-1.0	6.50

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085%

Short Dtd Gilt Fd	67.7	68.8	-0.1	0.00
U.S. Govmnt Bond Fd	0.510	0.512	-0.002	—

Windsor Trust Mngrs Ltd
83 Kingsway, London WC2B 6SD 01-405 8331

Capital & Equity Tst	49.2	52.4	-0.7	7.54
Growth Trust	50.7	53.1	-1.9	2.25
Income Trust	54.2	57.7	-1.3	3.03

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	70.3	73.8	—	2.99

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	225.0	133.0	-4.3	3.28

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Aug 12	105.9	+2.8	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	207.2	218.2	—	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1685

Ivory & Sime Bond	104.0	110.0	+1.0	—
Risk & Reward Bond	123.0	130.0	—	—
Murray Johnstone Fd	124.0	131.0	—	—
Money Market Fd	102.0	107.4	—	—
Ivory & Sime Pens Fd	105.0	111.0	—	—
Risk & Reward Pens Fd	105.0	111.0	+3.0	—
Murray J'stone Pens Fd	121.0	128.0	—	—
Money Market Pens Fd	102.0	107.8	—	—

City of Westminster Assurance
Scobry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series	113.0	119.0	—	—
Property Fund	222.2	233.9	+0.2	—
Money Fund	409.0	430.4	-1.8	—
Managed Fund	258.2	271.8	-0.5	—
Equity Fund	146.1	153.8	-0.9	—
Fixed Interest Fund	215.7	227.1	-1.1	—
Far East Fund	173.0	182.2	-2.8	—
North American Fund	139.0	146.4	+0.4	—
Natural Resources Fund	380.8	401.9	-1.6	—
Pension Managed Fund	244.1	257.0	-0.8	—
Pension Equity Fund	111.1	117.0	+0.6	—
Adventurous Mngd Fd	107.2	112.9	+0.4	—
Balanced Mngd Fd	106.0	111.6	—	—
Conservative Mngd Fd	105.7	111.3	—	—
European Fund	107.2	112.9	+0.5	—
International Fund				

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds	130.5	137.4	-3.6	—
Mixed	147.7	155.5	-4.7	—
Equity	109.0	114.8	—	—
Property	111.1	117.0	-2.1	—
Gilt & Fixed Interest	99.5	104.8	-1.5	—
Indexed Securities	107.5	113.2	+0.1	—
Cash	103.2	108.7	-3.1	—
North American	129.2	136.0	-3.7	—
Far East	122.4	128.9	-3.1	—
International	142.4	149.9	-3.4	—
Special Situations	137.4	144.7	-2.9	—
International Income	112.8	118.8	-2.8	—
American Income	146.2	153.9	-3.2	—
European				
Flexible Retirement Plan	134.8	141.9	-4.0	—

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INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV $18.73 | -0.40 | —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd $16.39 | -0.54 | —
Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech $17.53 | -0.06 | —
Dynamic Gwth Fd $19.09 | -0.15 | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund $12.01 12.71 | — | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.65		—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	9.30	6.95	10.15	6mth
7-day Fnd	9.40	7.03	10.28	10.65
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	9.17	6.85	9.82	6-Mth
7-day Fund	9.65	7.21	10.34	6-Mth
Dollar	4.81	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chr Acc.	9.25	6.80	9.82	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	9.99	Qtr
Mth. Inc. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10.125	7.57	11.04	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc.	9.30	6.95	10.11	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	9.50	7.10	10.13	Qtr
Benchmark Trust Ltd 9 Henrietta Place, W1M 9AG. 01-631 3313				
Cap Chq Deposit Acc	9.25	6.91	10.04	Mth
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	9.50	7.10	10.39	Mth
U.S. Dollar	5.375	4.02	5.76	Mth
German Marks	4.00	2.99	4.27	Mth
Swiss Francs	1.50	1.12	1.59	Mth
Japanese Yen	4.00	2.99	4.27	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-581 1422				
Money Market Plus	Top rate	7.00	10.18	Mth
For other rates please 'phone our Rateline 01-581 8629				
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543				
£500-£2,500	8.69	5.00	7.18	Qtr
£2,500 +	9.38	7.00	10.12	Qtr
Darlington & Co Ltd Darlington, Totnes, Devon TQ9 6JE 0803 862271				
Money Mkt Acc	9.50	7.10	10.30	Qtr
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	9.30	6.95	10.11	Mth
Legal & General (Money Mngrs) Ltd 365 Euston Road, NW1 3AG 01-388 3211				
High Int Dep Acc	9.70	7.25	10.39	6-mth
Lloyds Bank PLC 71 Lombard St, London EC3P 3BS 01-626 1500				
HighIntCheque Account	9.00	7.20	10.42	Qtr
Lombard North Central PLC 17 Bruton St, W1A 3DH 01-409 3434				
14-Day Notice	9.00	6.72	9.46	—
M & G/Kleinwort Benson M & G Hse., Victoria Rd., Chelmsford 0245 266266				
H.I.C.A. (£2,500+)	9.20	6.87	10.00	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8655				
High Int Chq Acc	9.05	6.75	9.75	Qtr
£10,000 +	9.36	7.00	10.12	Qtr
M.I.M. Britannia Ltd 74-78 Finsbury Pavement, EC2A 1JD 01-588 2777				
Cater Allen	9.50	7.10	10.338	—
NatWest Special Reserve Account 41 Lothbury, London, EC2P 2BP 01-256 9933				
£2,000 to £9,999	9.25	6.875	9.94	Qtr
£10,000 and above	9.375	7.00	10.12	Qtr
Oppenheimer Money Mgmt Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Money Mngt. Acct	8.875	—	—	3-Mth
Phillips & Drew Trust Ltd 120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	9.25	6.91	9.99	Qtr
Provincial Trust 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
High Int Chq Acc	10.00	7.48	10.90	Mth
Royal Bank of Scotland plc 42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201				
Premium Account	9.50	7.10	10.27	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	9.10	6.80	9.91	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	9.57	7.15	10.35	Qtr
Money Acc	9.36	7.00	10.12	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	9.00	6.73	9.77	Mth
Over £10,000	9.25	6.91	10.04	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL 1SE 0752 224141				
High Int Chq Acc	9.75	7.29	10.62	Qtr
Wimbledon & South West Finance Co Ltd 114 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc	11.0	8.22	11.94	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	30	NEI	11
Amstrad	23	Nat West Bk.	48
BAT	35	P & O Dfd	45
BOC Grp.	28	Plessey	18
BSR	11	Polly Peck	16
BTR	28	Racal Elect	16
Babcock	17	RHM	20
Barclays	45	Rank Org Ord	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons.	22	Unilever	110
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	Samuel Props	25
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min.	2½
Hanson Tst.	16	Brit Petroleum	48
Hawker Sidd.	48	Burmah Oil	30
ICI	55	Charterhall	4
Jaguar	38	Premier	3½
Ladbroke	32	Shell	55
Legal & Gen	24	Tricentrol	11
Lex Service	28	Ultramar	18
Lloyds Bank	38	**Mines**	
Lucas Inds	52	Cons Gold	40
Marks & Spencer	18	Lonrho	24
Midland Bk	44	Rio T Zinc	58
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
29 Apr 29 Oct	Exch. 14pc 1986	100[illegible]	24.3	13.95	10.11
21 May 21 Nov	Exch. 2½pc 1986	99	14.4	2.53	7.72
22Jul 22Jan	Exch. 13¼pc 1987	101	16.6	13.13	9.88
10 Aug 10 Feb	Treas 10½pcCv '87	100	4.7	10.26	10.02
24Aug 24Feb	Exch 2½pc 1987	97[illegible]	18.7	2.58	7.67
6Oct 6Apr	Exch. 10½pc 1987	100[illegible]	1.9	10.49	9.99
1 Nov 1 May	Funding 6½pc '85-87‡‡	[illegible]	25.3	6.65	9.17
12Dec 12Jne	Treas. 10pc 1987	100	5.5	10.02	9.91
14Jan 14Jly	Treas 3pc 1987	96[illegible]	30.6	3.13	7.73
3May 3Nov	Treas. 12pc 1987	102	28.3	11.77	9.97
26 Jul 26 Jan	Treas 7¾pc 1985-88‡‡	97[illegible]	19.6	7.93	9.49
10Nov 10May	Exch 10½pc '88	100[illegible]	3.4	10.45	10.17
14Dec 14Jne	Treas 9¾pc Cv '88	99[illegible]	8.5	9.80	10.05
1Jan 1Jul	Transport 3pc '78-88	92[illegible]	27.5	3.26	7.54
25 Apr 25 Oct	Treas. 9½pc '88	98[illegible]	19.3	9.62	10.18
22 Aug 22 Feb	Treas 11½pc 1989	103[illegible]	16.7	11.15	10.02
18 Oct 18 Apr	Treas 9½pc Cnv. '89	99[illegible]	12.3	9.59	9.92
15Nov 15May	Treas 3pc 1989	89[illegible]	8.4	3.37	7.42
14Dec 14Jun	Treas 10½pc 1989	101	8.5	10.39	10.05
1Feb 1Aug	Exch 10pc 1989	99[illegible]	25.6	10.02	10.06
29 Mar 29 Sep	Exch 11pc 1989	102[illegible]	26.8	10.73	10.20
15 Apr 15 Oct	Treas 5pc 1986-89	90[illegible]	9	5.54	8.56
15 May 15 Nov	Exch 10½pcCv '89	102[illegible]	8.4	9.99	9.22
15 Jul 15 Jan	Treas 13pc 1990‡‡	108[illegible]	9.6	11.98	9.92
12 Aug 12 Feb	Exch 11pc 1990‡‡	102[illegible]	7.7	10.69	10.00
22 Sep 22 Mar	Exch. 12½pc 1990	107[illegible]	18.8	11.64	9.99
8 Nov 8 May	Treas. 3pc 1990	85[illegible]	1.4	3.53	7.58
15 Dec 15 Jun	Treas 8¼pc 1987-90‡‡	96[illegible]	9.5	8.55	9.33
25 Apr 25 Oct	Treas. 10pcCv 1990	100[illegible]	19.3	9.99	10.00
22 May 22 Nov	Exch 2½pc 1990	82[illegible]	15.4	3.04	7.36
10 July 10 Jan	Treas 11¾pc 1991	106[illegible]	3.6	11.05	9.92
5Oct 5Apr	Funding 5¾pc '87-91‡‡	90[illegible]	1.9	6.36	8.34
13 Nov 13 May	Treas. 3pc 1991♦	82[illegible]	—	3.65	7.58

Five to Fifteen Years

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
25Apr 25Oct	Exch. 11pc 1991	104	19.3	10.58	9.97
[illegible]	[illegible]	[illegible]	16.6	11.50	10.04

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

LEISURE—Continued

PROPERTY—Continued

INVESTMENT TRUSTS—Cont.

FINANCE, LAND—Cont.

MINES—Continued

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Anglo-Dominion	90	—	—	—	—
—		Anglo Utd Dev	39½	14.7	1.07	◆	7.7
—		♥Colby Res Corp	31	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c	288	14.7	Q100c	◆	13.5
—		♥Emerr Int. Ir10p	24	—	—	—	—
		Greenwich Res.	115	—	—	—	—
Apr	Oct	Hampton Areas 10p	146	23.12	41.0	—	1.0
—		♥Highwood Res.	257	—	—	—	—
Fb Jan Ag Nv		Homestake Mining $1	£17¼	30.7	Q20c	—	0.8
—		♥McFinley Red Lake	172	—	—	—	—
—		♥Mosto Explorations	221	—	—	—	—
—		♥New Sabina Res C$1	29	—	—	—	—
—		Northgate C$1	281	9'77	—	—	—
Jan.	July	RTZ	612	12.5	22.0	2.8	5.1
Jan	July	Do. 9¾pcLn '95-2000	£330½	12.5	Q9¾%	15.5	17.4

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	57	−2	Fin. 13% 97/02	£106½	......
Craig & Rose £1	£13½	......	Arnotts	285	......
Finlay Pkg. 5p	45½	+½	CPI Hldgs	45xd	......
Holt (Jos) 25p	825	......	Carroll Inds.	125	−5
IoM Stm. £1	74	−1	Dublin Gas	30	......
			Hall (R. & H.)	93	−2
IRISH			Helton Hldgs.	31	+2
Fund 11¼% 1988	£100¼	......	Irish Ropes	98	......
Nat. 9¾% 84/89	£98	......	Unidare	225xd	......

"Recent Issues" and "Rights" Page 31
(International Edition Page 29)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

BUSINESSMAN'S DIARY

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

UK TRADE FAIRS AND EXHIBITIONS

Current
International Boat Show (0703 32348) (until September 20) — Southampton

September 14-17
Inter Menswear — MAB (01-437 8754) — Earls Court

September 15-17
Int Home Video and TV (021-780 4171) — NEC, Birmingham

September 17-19
Financial Services Exhibition—CITY (01-493 0000) — Barbican Centre

September 19-23
Int Broadcasting Convention and Exhibition (01-240 1871) — Met Exbn Hall, Brighton

September 21-23
Int Garden and Leisure Exhibition—GLEE (01-930 2211) — NEC, Birmingham

September 23-25
Semiconductor International Exhibition (01-891 5051) — NEC, Birmingham

September 28-30
British Footwear Fair (01-739 2071) — Olympia

October 1-3
The Showman's Show (04868 22184) — Cranfield Space Centre

October 5-9
Building 86 (01-486 1951) — Earls Court

October 10-12
National Franchise Exhibition '86 (01-727 1929) — Kensington Exbn Centre

October 15-17
National Aid for the Disabled Exhibition (0892 44027) — Alexandra Palace

OVERSEAS TRADE FAIRS

Current
International Autumn Fair (01-486 1951) (until September 21) — Zagreb

September 17-24
International Engineering Fair (021-455 9600) — Brno

September 23-28
International Road, Rail, Sea and Air Transportation Exhibition (01-968 4567) — Guangzhou

September 30-October 4
International Machine Tool Trade Fair — INTERTOOL (01-977 4551) — Vienna

October 6-12
International Wine and Spirits Show (0494 775444) — Montreal

October 16-21
International Office Trade Fair—ORGATECHNIK (01-930 7251) — Cologne

October 19-27
International Equipment and Services for Hotels Exhibition—EQUIP HOTEL (01-439 3964) — Paris

October 20-24
International Market of Sub-Contracting Exhibition—MIDEST (01-439 3964) — Bordeaux

October 21-25
International Forestry, Timber, Processing and Woodworking Exhibition — WOODWORKING INDONESIA (01-486 1951) — Jakarta

BUSINESS AND MANAGEMENT CONFERENCES

September 15
Copper Development Association: Aluminium bronzes for industry (0707 50711) — Cavendish Conference Centre, W1

September 15-16
FT Conferences: Risk management instruments (01-621 1355) — Marriott Hotel, W1

September 16-17
Fuel and Metallurgical Journals: Independent power generation conference and exhibition IN POWER 86 (0737 68611) — Excelsior Hotel, Heathrow

September 18-19
M.S. Conference Studies: Market research for retail property—current state of the art (01-935 2332) — Cafe Royal, W1

September 22-25
Pharmaceutical Society: British pharmaceutical conference (01-735 9141) — Jersey

September 24-25
Fibex: "Acquisition Monthly" conference on how to buy and sell companies (01-821 5555) — Churchill Hotel, W1

September 24-25
Euromoney two-day seminar: (1) Options—a risky business? (2) Hedging can be fun (01-236 3288) — Grosvenor House Hotel, W1

September 25-26
FT Conference: Pacific Basin oil and gas—prices, investment and the business outlook (01-621 1355) — Hotel Regal Meridien, Kowloon

September 26
BPICS: Modern asset management (0279 56895)

September 30-October 2
Royal Institute of Navigation: Worldwide Navigation into the 21st Century (01-589 5021) — Brighton Metropole

October 2-4
International Association of Energy Economists: Energy Conference (Norway 47-5 06 25 50 40) — Bergen

October 10
Longman Seminars: Financing the media (01-242 4111) — Cavendish Centre, W1

October 14
The Royal Institute of International Affairs: Energy trends and control of energy costs (01-930 2233) — Chatham House, SW1

October 15-16
FT Conferences: Electronic financial services (01-621 1355) — Hotel Inter-Continental, W1

October 21
FT Conferences: Developing the Global Market for Equities (01-621 1355) — Merchant Taylors' Hall, EC2

October 22
The Royal Institute of International Affairs: Tradeable information — Europe against the world (01-930 2233) — Chatham House

CONSTRUCTION

£100m office block for the City

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

TARMAC/SUNLEY, a joint venture partnership of Tarmac Construction and Bernard Sunley, is negotiating a £45m contract to build *Eagle Star Properties' £100m* Malvern House office development by Southwark Bridge in the City of London.

Work on the 181,000 square foot office building is due to start in November for completion in 1990.

The existing Malvern House *offices and car park will be* demolished and replaced by a concrete-framed flat-roofed building with atria, air conditioning and raised floors for computer equipment.

The new Malvern House will be built over a four-level deep basement to provide parking for 480 cars.

This will involve excavations to a depth of 45 feet over a plan area of 5,000 square feet, programmed so as to allow an archaelogical dig on the site.

The deep excavations will also require a heavily-reinforced diaphragm wall on the side facing the River Thames.

Architect's model of the new Malvern House

Midland's Jersey plan

Work is progressing on the construction of a banking complex for the Midland Bank in St Helier, Jersey. The design incorporates a listed facade in Hill Street with a new building, distinguished by a large bow first floor window defining the bank's new main entrance. It also entails the amalgamation of three existing buildings into one, revolving around a central atrium complete with wall climber lift. The development, opposite the States Building in the heart of St Helier's business community, is phase one of a redevelopment of Midland's premises in Jersey. Costing over £1m, the work is being carried out by MAWGERS, a Jersey company.

One of the three buildings concerned in this phase is a former wine store. This will be refurbished to link to the existing branch building and an extension next door. A top floor will be added giving a total of 2,443 sq metres. The project, to be carried out in two phases, is due for completion in two years.

Midland also has plans for work on its Library Place branch, St Helier, and the branch at St Brelade. The redevelopment is likely to cost a total of £3.5m.

Architects for the Hill Street scheme are London-based Whinney Mackay-Lewis Partnership, which has been associated with the Midland for over 100 years.

Mowlem builds secondary school

Contracts together worth nearly £8m have been won by MOWLEM MANAGEMENT. The largest is a £4m award to build the new Canford Heath Upper School at Poole for Dorset County Council. This involves construction of a 5,370 sq metres secondary school and 1,155 sq metres community sports buildings, together with caretaker's house and ancillary accommodation. The school has been designed with one-, two- and three-storey areas using the SCOLA steel-framed system with facing brick/dry-lined external cavity walls on piled foundations. In Battersea Mowlem has been awarded a £2m contract by British Telecom. The company has demolished the former Cadbury Typhoo factory and is constructing a 4,000 sq metres distribution centre comprising warehouses and a two-storey office block. Work has started for completion shortly. Work is due to start next month on a £1.7m refurbishment contract at Baker Street Station for London Underground. This comprises upgrading and modernisation to Metropolitan Line platforms, stairways and overbridges and the Bakerloo, Chiltern Street and Metropolitan ticket halls, for completion in December 1987.

Superstore at Nuneaton

ASDA has awarded COSTAIN CONSTRUCTION a £4.25m contract to build a superstore in Bond Street, Nuneaton, Warwickshire. The mainly single-storey structure will cover about 9,660 sq metres on a site that is bounded by the River Anker and British Rail. The river bank will be terraced, and retaining work carried out. The steel-framed structure will be supported on reinforced concrete pad foundations, and the elevations will be in brick. Conventional metal decking and built up felt to the roof will be disguised by mansards and the front elevation will feature two small towers. The project is scheduled for completion in March next year.

FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY
COMPANY MEETINGS—
[illegible]
BOARD MEETINGS—
[illegible]
DIVIDEND & INTEREST PAYMENTS—
[illegible]

Leeds Permanent Building Society Flg Rate Notes 1996 £250.41
[illegible]

WEDNESDAY SEPTEMBER 17
COMPANY MEETINGS—
[illegible]
BOARD MEETINGS—
[illegible]
DIVIDEND & INTEREST PAYMENTS—
[illegible]

THURSDAY SEPTEMBER 18
COMPANY MEETINGS—
[illegible]
BOARD MEETINGS—
[illegible]
DIVIDEND & INTEREST PAYMENTS—
[illegible]

Riggs National Corpn Flg Rate Sub Notes 1996 $153.68
Zetters Group 3.75p

FRIDAY SEPTEMBER 19
COMPANY MEETINGS—
Aerospace Engineering, Blunsdon House Hotel, Blunsdon, Swindon, 2.00
Ariel Inds, Allen House, Newarke Street, Leicester, 4.00
Blacks Leisure Group, Garth Hotel, Bedford, 12.00
British Building and Eng Appliances, University Arms Hotel, Cambridge, 12.00
Centrovincial Estates, 4-6 Savile Row, W, 10.30
London Trust, Stationers' Hall, Ave Maria Lane, EC, 12.30
[illegible]
BOARD MEETINGS—
[illegible]
DIVIDEND & INTEREST PAYMENTS—
[illegible]

SATURDAY SEPTEMBER 20
DIVIDEND & INTEREST PAYMENTS—
[illegible]

SUNDAY SEPTEMBER 21
DIVIDEND & INTEREST PAYMENTS—
[illegible]

مكبرة من الأصل

WORLD STOCK MARKETS

AUSTRIA

1986 High	Low	September 12	Price Sch
2,660	2,190	Credit'nst'lt pp	2,260
3,650	3,075	Goesser	3,360
16,000	12,550	Interunfall	13,800
21,750	16,800	Jungbunzlauer	19,250
2,475	1,950	Laenderbank	2,240
795	580	Perlmooser	610
211	150	Steyr Daimler	161
12,500	8,850	Veitscher Mag	10,110

BELGIUM/LUXEMBOURG

1986 High	Low	September 12	Price Frs.
3,600	2,290	B.B.L.	3,260
16,550	9,500	Banq. Gen. Lux	15,560
17,000	9,400	Banq. Int.A.Lux	16,150
14,500	8,250	Bekaert	11,200
4,660	2,840	Ciment CBR	3,945
195	120	Cockerill	146
3,840	1,682	Delhaize	3,150
4,940	3,580	EBES	4,830
17,350	10,425	Electrobel	14,985
2,700	1,970	Fabrique Nat	2,050
9,200	3,580	GB Inno BM	7,800
3,625	2,695	GBL (Brux)	3,510
6,800	4,310	Generale Bank	6,020
6,850	4,750	Gevaert	6,050
8,150	5,700	Hoboken	7,700
3,995	2,880	Intercom	3,720
18,000	10,100	Kredietbank	17,000
11,650	9,900	Pan Holding	11,550
9,700	6,050	Petrofina	9,160
29,000	17,200	Royale Belge	27,500
3,270	2,120	Soc. Gen. Belge	3,065
11,750	7,710	Sofina	11,100
8,920	6,050	Solvay	7,950
585	244	Stanwick Intl	260
6,480	4,675	Tractionel	6,100
9,030	5,300	UCB	8,730
6,200	3,705	Wagons Lits	6,600

DENMARK

1986 High	Low	September 12	Price Knr. %
424	298	Andelsbanken	318
670	510	Baltica Skand	530
348	235	Cop Handelsb'nk	242
470	318	D. Sukkerfab	345
[illegible]	[illegible]	[illegible]	[illegible]

AUSTRALIA

1986 High	Low	September 12	Price Aust. $
3.80	2.56	ACI Intl	3.50
15.6	10.3	Adelaide Steams	11.9
3.8	2.88	Amcor	3.42
6.3	4.4	ANZ Group	5.4
3.22	2.05	Ampol Pet	2.26
1.80	1.15	Ashton	1.8
3.55	2.1	Aust. Guarantee	3.2
3.70	2.45	Aust. Nat. Inds	2.63
10.9	5.9	Bell Group	10.2
5.79	3.70	Bell Res	4.7
3.75	1.05	Bond Corp Hldgs	3.00
5	3.25	Boral	4.28
5.1	1.9	Bougainville	3.05
7.10	4.3	Brambles Inds	5.24
1.89	0.59	Bridge Oil	0.82
9.1	6.2	BHP	7.76
7.50	5.3	Burns Philip	6.7
7.4	5.48	CRA	6.9
3.79	2.50	CSR	2.82
6.00	2.7	Chase Corp	5.5
1.24	0.63	Claremont Pet	0.95
6.4	4.1	Coles Myer	5.00
2.50	1.80	Comalco "A"	2.38
0.35	0.10	Consolidated Pet	0.2
2.70	1.7	Costain Aust	2.3
5.10	2.0	Elders IXL	4.60
1.82	1.41	Energ Res	1.50
2.85	2.16	Gen. Prop. Trust	2.85
3.75	3.18	Hardie (James)	3.45
2.3	1.65	Hartogen Energy	2.1
7.10	4.85	Herald W'yTimes	6.12
2.8	2.12	ICI Aust	2.45
10.00	5.80	Industrial Equity	7.45
0.31	0.18	Jimberlana F.P.	0.27
0.2	0.14	Kia Ora Gold	0.19
7.9	4.9	Kidston Gold	7.3
9.8	6.74	Lend Lease	8.52
3.12	1.55	MIM	2.18
3.85	2.68	Mayne Nickless	2.9
6.6	4.0	Nat. Aust. Bank	5.68
28.0	9.02	News	26.0
3.85	2.4	Nicholas Kiwi	3.80
1.65	0.65	Noranda Pacific	1.6
2.81	1.70	North Bkn Hill	2.34
1.28	0.85	Oakbridge	0.81
4.0	2.5	Pacific Dunlop	3.32
2.75	1.7	Pancontinental	2.75
3.10	2.46	Pioneer Conc	2.69
2.75	2.00	Placer Pacific	2.75
3.65	2.02	Poseidon	3.55
1.80	1.34	Queensland	1.64
6.3	3.82	Reckitt& Colman	6.3
2.55	1.5	Repco	2.35
5.56	3.28	Santos	4.05
[illegible]	[illegible]	[illegible]	[illegible]

FRANCE

SWITZERLAND

GERMANY

ITALY

NORWAY

HONG KONG

NETHERLAND

SINGAPORE

SWEDEN

SOUTH AFRICA

JAPAN

SPAIN

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible] Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO

Closing prices September 12

MONTREAL

Closing prices September 12

OVER-THE-COUNTER

Nasdaq national market, closing prices, September 12

Continued from Page 37

Indices

NEW YORK

STANDARD AND POOR'S

CANADA

NEW YORK ACTIVE STOCKS

Closing prices, September 12

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	13¾	AAR s	.44	2.1	17	440	22⅜	20¾	21	−1⅛
30	21¾	ADT	.92	4.1		210	22½	22	22¼	+⅛
33	11½	AFG s	.08i	.3	15	670	27½	26½	27½	+⅜
25⅜	13¾	AGS			12	230	18¼	17⅝	17⅝	−⅝
15	9⅞	AMCA			258	3	10⅝	10⅝	10⅝	−⅛
60⅝	37½	AMR			13	5892	52½	50¼	51½	−1
12½	8½	APL			8	7	11¼	11¼	11¼	
16¾	10	ARX	.71t	6.2	11	145	11⅞	11¼	11½	−⅜
40⅞	28¾	ASA	2a	5.2		1277	38¾	38⅛	38⅝	+1⅛
18⅜	9¼	AVX			29	207	11⅛	10¾	10⅞	−⅛
32	22⅝	AZP	2.72	9.5	8	2590	28⅞	28⅝	28½	−⅜
55	28⅝	AbtLb s	.84	2.0	19	10143	44¼	41	42¼	−⅝
32	19⅝	AccoWd	.56	2.2	17	45	26	25½	25⅝	−½
14⅞	9	AcmeC	.40	3.8		232	10¾	10⅝	10½	
22⅜	17	AdaEx	1.90e	9.5		329	20⅜	19¾	20	−¾
33⅜	16⅞	AdmMl	.40	1.6	11	45	25⅜	24⅞	25⅜	
20⅜	12	AdvSys	.83t	5.5	14	53	15⅜	15	15	−⅜
32⅞	14⅛	AMD				3250	17⅞	17⅜	17½	−½
12⅝	5⅝	Adobe n				95	7¼	7	7	
18⅜	13¾	Adob pf	1.84	12.		4	15½	15⅛	15½	
18⅝	7⅜	Advest	.12a	1.0	9	342	13	12¼	12⅝	−⅜
66¾	42¼	AetnLf	2.64	4.6	9	8441	58⅝	56⅞	57	−1⅛
56½	51½	AetL pf	4.69e	8.9		80	52⅞	52¼	52½	−⅛
28¾	8¾	Ahmns	.48	2.2	7	6848	21⅝	20⅜	20⅞	−⅛
5¾	2½	Aileen			50	131	3⅝	3¼	3½	
41⅝	25¾	AirPrd s	.80	2.5	59	4078	33⅞	31¾	32⅜	−⅝
27¾	16	AirbFrt	.60	3.3	16	178	18⅜	17⅞	18	−¼
2	⅜	AlMoan	.60c			381	7-16	13-32	13-32	−1-32

Continued on Page 37

NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
¾	7-32	Pengo				70	11-32	5-16	11-32	+1-32
62	45	PenCen			22	1278	56	54¾	54½	−1¼
86¾	46½	Penney	2.48	3.5	12	3246	73½	70½	71⅞	−⅞
43⅝	29½	PaPL	2.60	7.2	13	3654	36⅝	35¼	36	−½
55⅜	37⅞	PaPL	pf4.40	8.6		z100	51	51	51	−½
55⅞	35¾	PaPL	pf4.50	9.0		z300	50½	49½	50	+1
100	69	PaPL	pf8.60	8.9		z192	097	96¼	97	+¾
30¼	25½	PaPL	dpr2.90	10.		5	28⅝	28⅝	28⅝	
95	69	PaPL	pr8.40	9.4		z180	91½	89	89	−4
111½	102¼	PaPL	pr 13	12.		z90	109½	109½	109½	−2
93	69½	PaPL	pr 8	9.1		z40	89	88	88	−2
98½	70¼	PaPL	pr8.70	9.0		z200	96¼	96¼	96¼	
59	36	Pennwlt	2.20	4.8		302	48¾	46	46	−1
34⅝	22⅝	Penw	pf1.60	5.8		4	28	27	27¾	−7¼
91	44½	Pennzoil	2.20	4.0	31	1819	55⅝	53	54⅝	−⅞
25¾	14⅞	PeopEn	1.32	5.9	10	766	23⅛	22⅞	22½	−⅞
40¼	21⅝	PepBoy	.22	.6	29	1388	38⅝	35¼	38¾	−¾
35⅞	18⅝	PepsiCo	.64	2.3	18	20268	27⅞	26½	27⅞	+¼
36⅞	23	PerkEl	.60	2.3	16	2236	36¾	25⅝	26⅛	+⅜
8¼	5¾	Prmian	.84e	13.	6	452	6⅝	6½	6⅝	+⅛
20⅞	12⅝	PeryDr	.22	1.6	17	402	14¼	13¾	13⅞	−¼
35¾	19¾	Petrie	s .70	2.7	15	1909	26¼	26	26⅛	
31⅛	22¾	PetRs	3.51e	12.		219	30⅝	29	29	−1½
19½	15⅞	PetRs	pf1.57	8.2		85	19½	19	19¼	+⅛
8⅝	1⅞	Ptrinv	.45e	23.		11	2⅛	2	2	
72⅞	43¾	Pfizer	1.64	2.8	16	9753	60½	57⅞	58¾	−1½
32½	16	PhelpD			36	893	21¾	21⅛	21¾	+½

AMEX COMPOSITE CLOSING PRICES

Closing prices September 12

OVER-THE-COUNTER

Nasdaq national market, closing prices, September 12

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

Continued on Page 35

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

A case of over excitement

BY COLIN MILLHAM

INTERVENTION by the West German Bundesbank to sell dollars on Friday morning, and a lower than expected rise in August US retail sales, brought the dollar down from a peak of DM 2.1030, to close the week on DM 2.0605. This was above the previous Friday's finish of DM 2.0470, but well below forecasts that the US currency could touch DM 2.15.

Suggestions of DM 2.15 followed an erroneous rumour that August US retail sales would rise by 4 per cent. Some dealers could not see why such a sharp rise should be beneficial for the dollar, since it would almost certainly indicate a very high level of imports, and the Bundesbank obviously decided matters were getting out of hand, leading to a disorderly market.

The amount of dollars sold by the central bank may not have been very large, but the mere fact that the Bundesbank was making such a move was enough to turn the dollar round.

When it was announced that US retail sales had risen by only 0.8 per cent it became clear that the foreign exchanges and financial markets in general had become over-excited.

There was even some doubt about why the dollar had been rising, as US bond and share prices plunged in a mood of virtual despair. The reasons all seemed rather tenuous, but were either based on fears of a US recession, based on the refusal of West Germany and Japan to cut interest rates and stimulate growth to help reduce the US trade deficit, or on suggestions that the US economy was not really as weak as previously indicated.

If retail sales did prove very strong it was argued that rising domestic demand would produce higher inflation and prevent another cut in the Federal Reserve's discount rate.

Whatever the reason it was enough to produce a fall of more than 86 points in the Dow Jones Industrial Index and a sharp fall in US Treasury bond prices on Thursday. In Chicago Treasury bond futures closed limit down, but rallied on Friday on the published retail sales figures, and a smaller than expected rise of 0.3 per cent in August US producer prices.

As financial markets wrestled with the implications of recent events the dollar drifted to a fairly quiet close.

Attention may turn back towards interest rates, and the apparent refusal of West Germany and Japan to ease credit policies. Strong economic growth and above target money supply continues to make the Bundesbank reluctant to cut interest rates, although dealers were not totally convinced the central bank would not cut its discount rate before a meeting of the International Monetary Fund later this month.

Mr Satoshi Sumita, governor of the Bank of Japan, said again last week that it was not necessary for Japan to ease its credit policy. This followed a press conference on Monday by Mr Kiichi Miyazawa, Japanese Finance Minister, after his return from talks in Washington with Mr James Baker, US Treasury Secretary. Mr Miyazawa said he had not reached agreement for co-ordinated foreign exchange intervention or a round of interest rate cuts.

Friday's intervention by the Bundesbank appeared to put a ceiling on the dollar of DM 2.10 at present. Unless Thursday's revision of second quarter US GNP growth suggests an unexpected strength in the economy, sluggish growth and the very large trade deficit still appear to be the overriding factors, pointing to a further fall in the value of the dollar.

£ IN NEW YORK

Sept. 12	Close	Prev. close
Spot	$1.4775-1.4785	$1.4650-4660
1 month	0.46-0.44 pm	0.46-0.45 pm
3 months	1.44-1.41 pm	1.42-1.39 pm
12 months	5.05-4.95 pm	4.90-4.80 pm

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

Sept. 12	Bank of England Index	Morgan Guaranty Change %
Sterling	71.0	−21.6
U.S. Dollar	111.1	+2.3
Canadian Dollar	77.6	−12.8
Austrian Schilling	151.0	+8.2
Belgian Franc	96.6	−6.5
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: Average 1980-82=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Sept. 12	£	$
Arg'tina	1.5380-1.5445	1.0430-1.0460
Aus'alia	2.3830-2.3870	1.6135-1.6150
Brazil	20.30-20.44	13.77-13.84
Finland	7.2865-7.3065	4.9430-4.9450
Greece	200.15-203.37	137.09-139.30
H'kong	11.5395-11.5806	7.8015-7.8036
[illegible]	[illegible]	[illegible]

* selling rate

CURRENCY RATES

Sept. 11	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.816663	0.68728
US $	5½	1.20172	1.010666
Canadian $	8.47	*	1.40176
Austria Sch	4	—	14.7788
Belgian Fr	8	51.7641	43.5568
Danish Kr	7	9.49157	7.96448
D'mark	3½	—	2.10318
[illegible]	[illegible]	[illegible]	[illegible]

*CS/SDR rate for September 11: 1.67239

POUND SPOT—FORWARD AGAINST POUND

[illegible]

Belgian rate is for convertible francs. Financial franc 63.75-63.85. Six-month forward dollar 2.76-2.71c pm. 12-month 5.07-4.97c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 43.15-43.25.

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.4770	1.4725	1.4628	1.4497	1.4269
D-Mark	3.0450	3.0319	3.0042	2.9667	2.8840
French Franc	9.9500	9.9200	9.8500	9.8325	9.7200
Swiss Franc	2.4675	2.4565	2.4324	2.4014	2.3405
Japanese Yen	229.50	228.00	225.60	222.50	218.85

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu September 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.5568	+1.03	+0.88	±1.5368
Danish Krone	7.81701	7.96448	+1.89	+1.74	±1.6403
German D-mark	2.11083	2.10318	−0.36	−0.51	±1.1127
French Franc	6.87316	6.88258	+0.14	−0.01	±1.3659
Dutch Guilder	2.37833	2.37312	−0.22	−0.37	±1.5059
Irish Punt	0.764976	0.764202	−0.10	−0.25	±1.6683
Italian Lira	1476.95	1449.79	−1.84	−1.84	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

Sept. 12	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
[illegible]						
Italian Lira	10-11	10¼-11⅛	10⅝-11⅛	[illegible]	[illegible]	[illegible]
B.Fr.(Fin)	7-7¼	7-7¼	7⅛-7⅝	[illegible]	[illegible]	[illegible]
B.Fr.(Con)	6⅞-7⅝	7-7½	7-7½	[illegible]	[illegible]	[illegible]
Yen	4⅞-5⅛	4⅞-5⅛	5⅛-5¼	[illegible]	[illegible]	[illegible]
D. Krone	9-9½	9½-10	9½-10	[illegible]	[illegible]	[illegible]
Asian $ (Sng)	6-6⅛	6-6⅛	6⅛-6⅛	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: two years 6¾-7 per cent; three years 7⅛-7½ per cent; four years 7¼-7⅞ per cent; five years 7⅝-8⅛ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others, two days' notice.

LIFFE LONG GILT FUTURES OPTIONS / LIFFE US TREASURY BOND FUTURES OPTIONS / LIFFE £/$ OPTIONS / LONDON SE £/$ OPTIONS / PHILADELPHIA £/$ OPTIONS / LIFFE—EURODOLLAR OPTIONS

[illegible]

LONDON / CHICAGO

[illegible]

CURRENCY FUTURES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

MONEY MARKETS

Signs of nervousness

A LITTLE nervousness began to creep into the London money market last week. It was not that dealers were panicking and looking for an early rise in interest rates, but more that the general assumption bank base rates would eventually be cut was no longer quite as certain.

Three-month sterling interbank was offered at 10 per cent until Friday morning, when the rate firmed to 10$\frac{1}{16}$ per cent, but then returned to 10 per cent, as sterling recovered and the general interest rate picture became less worrying. The pound had fallen nearly 1½ cents to a low of $1.4550 on Friday morning, but in the afternoon touched a peak of $1.4835, as rumours about a sharp rise in August US retail sales proved unfounded.

The general mood was not helped by a larger than expected rise of 0.3 per cent in the August UK retail price index. This left the annual inflation rate at 2.4 per cent, but since rising petrol prices are likely to feed through to the September RPI figure, another rise of at least 0.3 per cent has been forecast for this month, increasing annual inflation to 2.8 per cent, and possibly signalling the end of falling price rises.

There was also some disappointment that the West German Bundesbank did not cut its discount rate at Thursday's council meeting, although a rise in the central bank money stock to 7.1 per cent in August kept the figure well above the official target range of 3.5 per cent to 5.5 per cent. Strong West German GNP growth of 3.3 per cent in the second quarter had also increased speculation credit policy would be left unchanged, in spite of recent pressure from the US for a cut in interest rates.

UK clearing bank base lending rate 10 per cent since May 22

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON	Sept. 12	change	NEW YORK	Sept. 12	change
Base rates	10	Unch'd	Prime rates	7½	Unch'd
7 day interbank	9⅝	−¼	Federal funds	6$\frac{1}{16}$	+⅛
3mth interbank	10	+$\frac{1}{16}$	3 Mth. Treasury Bills	5.30	−0.11
Treasury Bill Tender	9.6255	+0.1613	6 Mth. Treasury Bills	5.60	+0.06
Band 1 Bills	9⅞	Unch'd	3 Mth. C D	5.80	+0.16
Band 2 Bills	9$\frac{11}{16}$	Unch'd			
Band 3 Bills	9¾	Unch'd	FRANKFURT		
Band 4 Bills	9$\frac{11}{16}$	Unch'd	Lombard	5.5	Unch'd
3 Mth. Treasury Bills	9$\frac{11}{16}$	+$\frac{1}{16}$	One mth. Interbank	4.495	−0.10
1 Mth. Bank Bills	9$\frac{13}{16}$	[illegible]	Three month	4.495	−0.5
[illegible]					

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

[illegible]

NEW YORK RATES

(4 pm)

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

	Sept. 12	Aug. 22		Sept. 12	Sept. 5
Bills on offer	£100m	£100m	Top Accepted rate of discount	[illegible]	[illegible]
Total of applications	£445.3m	£307.7m	Average rate of discount	[illegible]	[illegible]
Total allocated	£100m	£100m	Average yield	[illegible]	[illegible]
Minimum accepted bid	£97.60	£97.635	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	71%	10%			

FT LONDON INTERBANK FIXING

(11.00 a.m. September 12)

Three months US dollars	
bid 6$\frac{1}{16}$	Offer 6$\frac{3}{16}$

Six months US dollars	
bid 6$\frac{1}{16}$	Offer 6$\frac{3}{16}$

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

[illegible]

FINANCIAL TIMES SURVEY

Office Equipment and Services

WITH TURNOVER soaring to record levels, the fast-changing office equipment industry in Europe and the US. is in confident mood, despite intense competition between most sectors in the marketplace.

Yet despite this expansion, the office automation sector, in particular, is no place for the faint-hearted, warns industry analyst, Keith Wharton.

"More fortunes will be lost than won in the pursuit of a position in this, the growth market of the 1980s," he predicts.

Across the broad spectrum of business equipment, 72 per cent of companies in the UK, for example, report a rise in orders compared to the last six-month period. Less than 10 per cent noted any drop in the order levels, says a new report from the National Business Equipment Survey.

This optimism in the office equipment industry should be viewed against the market potential for equipping an ever-growing army of white collar workers. The US is by far the world's largest business equipment market with sales this year of around $184bn (up 7 per cent on last year) to equip an office population of 58m out of a total civilian employment force of 113m.

In comparison, Europe's office worker population is around 53m. In the UK, in particular, the number of offices has risen in the past year by 9 per cent to more than 400,000 as a result of the increase in service and commercial industries.

● Turnover in the business equipment sector in the UK rose by more than 17 per cent in 1985-86 to £10.1bn, according to the British Equipment Trade Association (BETA):

Computers, data and word processing; and communications equipment	£7.76bn
Office machines and systems, including dictation, mailing, microfilm and reprographics	£1.6m
Business forms, filing and storage	£511m
Furniture	£275m
Total business	£10bn

● Exports from the UK were up 25 per cent. The figures for 1985-86 are:

Computers, data and word processing, and communications equipment	£2.1bn
Office machines and systems, including dictation, mailing, microfilm and reprographics	£463m
Business forms, filing and storage	£124.6m
Furniture	£21.4m
Total exports	£2.8bn

Worldwide, the office equipment market is now worth more than £200bn a year, and with the ever-increasing army of white collar workers, it is becoming one of the biggest growth sectors of the decade.

Suppliers in confident mood

By MICHAEL WILTSHIRE

Growth in the office automation industry continues unabated, following a 10-fold increase in the UK's annual spend on electronic keyboard-based equipment during the past decade.

Across Europe, 970,000 personal computers were sold last year, according to a new Oasis report, published today. The average unit cost of these machines was $2,500. Unit sales are likely to reach 4.2m by 1990.

The three dominant supplie[r]s in Europe last year were IBM with 32.5 per cent; Apple with 15 per cent; and Olivetti with 2 per cent, although there are two regional variations: L. M. Ericsson did well to capture 20 per cent of the Scandinavian market and Gupil have captured nearly 20 per cent of the French market.

While many are watching the next moves of Amstrad, Tandon and Epson, the market is rife with rumours about the new IBM machine, being called PC II. Another trend is the move towards much more powerful machines to go on executive desks—examples of this are the IBM RT, the Xerox Starlet, Sun and Apollo machines.

In the area of electronic typewriters for business, today's Oasis report shows that total sales in Europe last year were 1.45m—but by 1990 sales may well drop slightly as more users opt for screen systems: either a PC with a WP package or a video typewriter system.

The market leaders in Europe for electronic typewriters were Olivetti (excluding Hermes) 26 per cent; Triumph Adler, 19 per cent; Olympia, 15 per cent; Brother, 8 per cent; and Canon, 5 per cent.

Variations

Again, there are regional variations: Facit has done well in Scandinavia, while Rank Xerox has 25 per cent of the French market and is doing well in the UK, Scandinavia and Benelux.

Traditional word processor suppliers in Europe saw total sales of just over 190,000 units last year — "but without Amstrad it would now look a very boring market," comments Keith Wharton.

The annual market for electronic typewriters, word processors and personal computers in the UK could break the £2bn mark, when the additional amounts spent on maintenance, supplies, software, training and network system servers are included.

Various product sectors of the industry are in turmoil as new marketing and distribution systems develop — "it is a cash-hungry environment, struggling with its own success," comments Keith Wharton.

It is also a market where only the very big — or those vendors with a specialist niche — can survive. There is plenty of evidence that many operators will continue to make a very good living — "but few can make and keep a fortune," he comments.

More than half of Britain's 1.3m typists are now equipped with an electronic typewriter, word processor or personal computer with a word processor package. Sales of electronic typewriters exceeded 200,000 in 1985, a rise of 30 per cent on the previous year.

The most surprising element to emerge from the Oasis report is that there are now twice as manys PCs being used primarily for word processing than there are dedicated word processors.

Personal computer sales grew by 75 per cent last year when 222,000 were sold in the UK — this brought the installed base for PCs for business applications to more than 440,000.

Most significantly, sales across Europe of stand-alone electronic keyboard equipment (basically, VDUs attached to mainframe computers) in 1980 were £100m, but by 1985 they were worth £4bn and by 1990 they will rise to £9bn. This indicates that more is now being spent on equipping office workers per head than on factory workers, comments the Oasis report.

Even so, only 10 per cent of European office workers as yet have access to electronic equipment, so there is vast potential for new equipment sales. Prices are falling and there is very little room for the small vendor —"it is a big boys game," comments Wharton.

The growth in the PC market is explosive, considering the full potential that the vendors are aiming—Britain's army of 12.2m white collar workers of which 1.3m are secretaries, 3.4m are clerks, 4m are managers and executives, and the remainder are difficult to classify, since many are owners of small businesses, which are the major business-users of home computers.

But between them, they have less than 2m keyboard devices, so without even considering a replacement market, it is clear that sales of keyboard devices will continue to expand. More than 80 per cent of PCs are shared departmental machines, says Oasis.

The major uses for PCs at present are: word processing (40 per cent); spreadsheet/accounting (35 per cent); and database applications (12 per cent).

In anticipating the potential growth in office automation, an important element is to realise just how many of Europe's 53m office workers still have the equipment that they had back in 1965: a pen, pencil and telephone.

Just changing the office worker's lifestyle to incorporate an electronic keyboard will generate revenues in the UK alone in 1990 of nearly £3bn, at today's prices.

Among end-users of electronic equipment, the major challenge in the near future is to provide the linkages between these electronic workstations — and, in particular, the planning and training required to implement them.

CONTINUED ON PAGE 8

● The international financial community is at the forefront of new applications in office automation and communication systems. Above: the dealroom at Rowe and Pitman, London.

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Influences on the Copier Market

Buy now, before prices rise

FOR POTENTIAL buyers who are in the market for a new photocopier, wise advice may be to buy now, before prices rise; for rise they surely will, on average by about 10 per cent. If, that is, initial reactions to the EEC anti-dumping rulings are anything to go by.

As readers will be aware, provisional anti-dumping duties of up to 15.8 per cent have been set by the European Commission on all Japanese copier imports. Only those machines which produce 70 A4 copies per minute or more are exempt.

At the time of writing, no UK supplier was ready to make a policy statement on the ultimate effect of the tariffs, but the general feeling is that few suppliers would be able to absorb the increases. Since every UK supplier is affected, any market downturn should be short-lived. Even Rank Xerox, the prime mover in the anti-dumping case, was surprised to learn that Fuji Xerox is affected.

Canon's Martin Walter summed up the feeling of most suppliers: "We are disappointed, since we have maintained all along that there is no substance in the allegation. But while price increases are almost inevitable, we are working to find a long-term solution."

Since the tariffs only affect complete units not components, that solution may be an increase in their production facilities in West Germany and Brittany, where already 70 per cent of Canon's copiers for European consumption are assembled.

In October 1985, total exports of copier units from Japan were valued at about Y48.8m. Parts and accessories amounted to about Y15.1m. We may see a shift in emphasis if other manufacturers follow suit and invest in European production facilities, as informed sources suggest many are planning.

It certainly will not affect forward marketing plans, Agfa revealed that it would soon be launching a complete new range of Japanese-sourced machines. In November, Canon will use their tenth anniversary in the UK to launch their largest range ever at one go.

It cannot be denied that Xerox is very much under attack in the high-speed mid-volume market, where it once appeared safe. In the UK, Agfa, Gestetner, Infotec, Konishiroku U-Bix, Minolta, Nashua, Olympia, Ricoh and Sharp have all entered the market in the past 12 months with machine speeds averaging 50 copies a minute.

There may be more players, but there are also more sales. According to the National Business Equipment Survey (NBES), the whole of the copier market grew at a remarkable pace during the first five months of 1986. Total placements were up 22 per cent over the corresponding period in 1985, with April being particularly buoyant.

New technology

Peter Troward, managing director of Infotec, estimates that a company installs a new copier, on average, every 2½ to 3 years, primarily to keep abreast of new technology. Certainly there is no shortage of new machines from companies including Selex, Mita, Esselte, Panasonic and Toshiba as well as Rank Xerox.

At the low end of the market, it is Canon which is under attack. While they have admittedly increased their personal copier range, Imperial.

Ricoh, Minolta and Mita have also entered the UK arena, with Sanyo going a step further by introducing a plain paper portable copier.

Observers can be sure it will not be long before the Japanese are competing in the high volume end as well. Main competitors are IBM, Kodak, Oce and Rank Xerox, but rumour has it Canon and Infotec will add to the competition.

Just recently, Nashua entered the high-volume end of the market with the IBM-manufactured 8170 which produces 150 copies a minute. Barry Blackburn, marketing director of Nashua, says: "This is a market-driven decision. Our customers are demanding high speed, high throughput machines and the 8170 answers that need."

Flexibility, ease of operation and high productivity are also high on the purchaser's list of priorities. New developments coming on the market all aim to satisfy these demands. For example, most new copiers have fixed platens, enabling them to handle a wider variety of originals; and accept and copy up to A3 size.

Reduction and enlargement, including zoom facilities, are almost standard on new machines, even on the smaller compact models. Indeed, NBES estimates that, in 1985, 48 per cent of the copiers in use in the UK provided document reduction facilities, while 37 per cent also offered enlargement. The equivalent figures in 1985 were 37 per cent and 25 per cent respectively.

For ease of use, push-button operation with simple operator display panels are accepted attributes. Self-diagnostics, too, aid the operator, with displays showing exactly where a misfunction has occurred so that it can be rectified without the help of an engineer.

So that the operator does not have to contiually change paper when making different sized copies, the incorporation of multiple cassettes allows push-button or automatic selection of paper sizes, automatic documents feeders, collators and finishers make light work of multi-page document production.

In 1985, again according to NBES, 15 per cent of the copiers in use featured automatic double-sided copying. Canon, Konishiroku U-Bix, Rank Xerox and Ricoh have all developed auto-duplex machines, they are called.

Clever tricks abound. Automatic image shift to make margins, deletions and creations of borders, image overlays and image editing features will astound the uninitiated. Colour copying is normal. Canon, Mita, Panasonic, Toshiba and Ricoh are at the forefront of such developments.

But despite all the bells and and whistles, according to Barry Blackburn of Nashua, not all purchasers are impressed: "Our experience is that customers are tending to turn away from feature-rich copiers toward high volume, simple to operate machines.

"Corporate customers particularly are also looking more closely at the company behind the product. Today, service and support is what truly distinguishes one company from another in this field."

Indeed, service, preferably with a smile but certainly at speed, is what most purchasers now demand. But expectations are somewhat higher than the reality, it seems. A survey carried out on behalf of the Business Equipment Trade Association shows that 87 per cent of users expect same day servicing, while only 63 per cent actually receive it.

Infotec MD, Troward confirms the demand for increasing support: "The vast majority of low to medium volume machines we supply are leased rather than purchased. Buyers want a company which wil maintain support and perhaps upgrade that machine during the prime lease period. Customers are well aware what is available, and they expect the features to represent value for money."

NBES research confirms that companies are turning away from direct purchase. Whereas 48 per cent of machines delivered in 1984 were purchased outright, only 43 per cent were in 1985. But the findings showed that it is rental that is on the increase, up to 26 per cent from 11 per cent in 1984.

It was also shown that 72 per cent of copiers sales last year were replacement machines. But while people seem to believe that the copier market is saturated, this is far from the truth, 14 per cent of sales in 1985 were to first-time users, and nearly 18 per cent of the new sales were low-cost "extras," ie low volume machines for departmental or personal use as additions to the corporate machine.

The world of photocopying, then, is alive and well in spite of recent wranglings, and innovation knows no bounds. Indications are that four-colour will be the next major step in copying technology. Sharp, Konishuroku U-Bix, Rioch and Xerox are all vying for leadership, Toshiba recently brought the world's first digital colour copier into the UK. Canon may well be the first to introduce a four-colour laser copier.

What promises to be a very exciting development will be introduced by Roneo at the London Business Equipment show next month — full-colour reproduction at the realistic starting price of £8,995.

The new Colourprint machines combine photocopying and photographic techniques to produce A4 colour copies on matt or gloss paper — proving that the Europeans have not completely lost their touch since this time the innovation comes from a French company.

Julie Harnett

● Mr David O'Brien (left), who this year was appointed managing director of Rank Xerox (UK), emphasised the company's commitment to office systems and document management. Rank Xerox launched more than 20 new computer products this year and will next week announce a major new product for the desk-top publishing market, together with plans for the total business publishing sector.

● Below: the relatively low-cost, desktop laser printer from Rank Xerox which can be shared by four personal computers.

The machine can store up to 128 font sizes and styles to print text, graphics and data at ten pages a minute, or eight times faster than a typical personal computer printer.

Electronic Typewriters

European sales top £2bn

IT IS estimated that there are 1 million commercial typewriters in Britain alone, with a European market of more than four times that amount. Since the average price of a new electronic typewriter is in excess of £500, the total value of the European market is most impressive (more than £2,000m)—and this, more than anything else, explains why cash-rich Olivetti this year bid for the German typewriter giant, Triumph Adler.

Last year, approximately 165,000 new typewriters were purchased in the UK, indicating a working life of something like seven years. Many years ago, the life of a mechanical typewriter was more like 20 years — curious, since a prime argument for electronics over mechanics is that there are fewer moving parts to wear out and go wrong. This year it is thought that the UK market will be fortunate to see total sales of 140,000 new units — which could mean that the lifetime per unit is once again increasing.

Eddie Scougall, sales manager at Facit, has a different view. "Typewriter sales," he says, "directly reflect the state of the economy. If the economy is strong, sales increase; if the economy is weak, sales fall off." This is not as naive a view as it may seem, for the claim is that typewriter sales react faster than most other commercial commodities.

The argument is basically simple. Many pieces of office equipment either work or they do not work—and when they wear out, they need replacing. The typewriter, however, can be made to carry on. Servicing and repairs can extend the life of a typewriter long past its optimum performance time; so if money is tight, the typewriter is serviced, not replaced. But as soon as the economy improves, that now aging and obsolete typewriter is replaced.

Last year was an excellent year for typewriter sales, and the relative optimism in the economy prior to this year's oil price collapse supports Scougall's view. There are, however, other elements in the argument. The increasing competition between Europe (led by Facit of Sweden and the new German/Italian alliance of TA and Olivetti); Japan (led by Canon and Brother); and the US (Rank Xerox and IBM) brought prices to rock bottom. (Note the lack of UK suppliers: Daro imports its products from Germany, and Wordplex has had to concentrate on basic recovery, rather than new typewriter sales.)

Most companies now claim that any more price reductions can only come at the expense of quality, and this has undoubtedly caused a slowdown in the market. But there remains a number of imponderables. What has been the effect of the extremely cheap Amstrad word processor? What will be the effect of the expected price war between Amstrad and Tandy—and will this drag Commodore and the Japanese into the conflict?

To answer these questions one really needs to examine the nature of the electronic typewriter and its relationship to the word processor. This is complicated by the fact that one of the two evolutionary routes to word processing has been from the electronic typewriter, known in its early days as an automatic typewriter. (The other route has been the purely software route of improved and improving text editors on large computers.)

However, the implication of the former route is clearly that the addition of more and more electronic features to a typewriter will inevitably turn it into a word processor—and, indeed, Rank Xerox has just announced its own brand new typewriter-cum-word processor.

Transition

So, as typewriters become more powerful, they will effectively become word processors—and as word processors become cheaper, they will undoubtedly affect the typewriter market. Can we say, for example, that the recent fall in sales of typewriters has been caused by the growing sales of Amstrad's cheap word processor? Wordplex believes not. The Amstrad, it claims, has so far had little effect on the traditional typewriter market where quality is a more important criterion than price.

Facit has another view, which actually implies that cheaper word processors will increase rather than decrease the overall typewriter market. We have already seen that the price of typewriters cannot be reduced without reducing the quality of the device. But a typewriter is, by its nature, a printer. For complete screen-based word processors to be as cheap as the Amstrad, there has to be a compromise — and that compromise can only come in the printer.

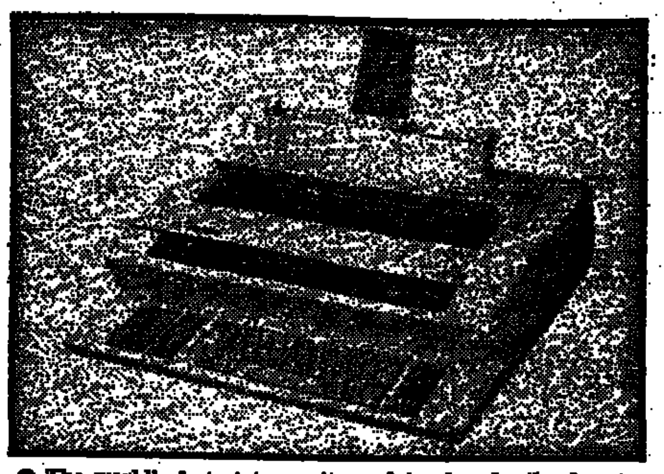
The result is that the weakest link of a cheap word processor is inevitably the printer; and it is here that Eddie Scougall perceives a new opportunity for the electronic typewriter.

Many of the existing users of Amstrad word processors have already invested in an electronic typewriter to replace the supplied printer. If this really is the beginning of a cheap word processor price war, then there will be great opportunities for the electronic typewriter to attach to and become the output devices for these new cheap word processing systems (supplying a free typewriter at the same time).

Facit is probably right in saying that this will happen; it is true, too, as Wordplex claims, that the traditional typewriter market is more concerned with quality than price. Amstrad has introduced a new market — it has created new users rather than stolen existing users. The implication is clear — an electronic typewriter market that is already large is likely to get larger still.

Kevin Townsend

OFFICE EQUIPMENT 3



● The world's fastest typewriter—claimed to be the first to incorporate fluid pulse (ink jet) technology will be shown by Olympia at next month's London Business Equipment Show.

Capable of printing at 130 c.p.s. (three times faster than the current world's fastest typewriter—also an Olmpia), it offers totally silent printing of variable sized text in a choice of typefaces. The FP40 incorporates a 2½ in floppy disc in addition to working memory and printer/communications ports for integration into a network

Word Processing Equipment

The market is now harder to define

AFTER a 15-year history it could be expected that word processing would be an easily defined and well-understood application, and have an easily defined market.

But both the application and the market are now more difficult to define, or even explain, than they were in the beginning. Recent years have witnessed the success of Amstrad's word processor at the same time as the UK's best-known manufacturer, Wordplex, has suffered the worst period in its history.

The explanation for such apparent anomalies can be found in the huge advances in word processing equipment that have been made over the last two or three years.

The original concept of a word processor was a microcomputer with a screen showing at least 24/25 lines of 80 columns of text; archive storage on floppy disks; and printed output by a letter-quality printer, likely to be a daisy-wheel printer. In fact, this configuration has been marketed so successfully that users now think of it as the definitive word processor—but it is really only a description of the technological limitations existing in the '70s.

In recent years, new advances in technology have meant that this description is no longer acurate. At one level the distinction between traditional WP and traditional office publishing is becoming blurred; while at another level it is no longer realistic to talk in terms of stand alone word processors —improved communications have brought multi-user and networked word processors to the office.

Cost-cutter

However, such claims raise the spectre of the phenomenal Amstrad word processor, which is an out-and-out, stand-alone dedicated and traditional word processor of the old school. But the Amstrad word processor has one advantage; its amazingly low price which has created a new market—it has not expanded any existing market. Many dealers decline to supply the product because there is insufficient margin to provide the sort of support that businesses require and demand. As a result, the Amstrad is an excellent purchase for individuals who cannot afford anything else, but perhaps a liability for established businesses. In terms of word processing technology, the Amstrad word processor is merely a diversion, claim some market analysts.

● **Office publishing**

If one ignores conventional thinking and considers only the fundamentals of word processing, one would soon conclude that WP and office publishing effectively have the same requirement: that is, office publishing is achieved by the computerised processing of words (and now pictures).

The modern office publishing systems (such as those supplied by Linotype and Gestetner) comprise the latest screen technology combined with the latest printers and storage devices, and controlled by a text editor (for input) and a text formatter (for output).

This is a precise definition of the traditional word processor: the difference is qualitative, rather than conceptual.

The parallel is actually closer than we might realise, for the price of the office publishing system is directly comparable to the price of early word processors—and given the effect of inflation, office publishing is now considerably cheaper than early word processing.

There is only one conclusion that can be drawn: office publishing is the direct descendent of word processing, and that every existing word processing installation is a potential convert to office publishing systems.

The technology behind this is two-fold: high resolution screens which give the ability to mix text and graphics; and new page printers. High resolution screens provide WYSIWYG (What You See Is What You Get, pronounced wizziwig) capability. This means that the user is able to see on the screen exactly what will be printed—and if he changes typefaces, then the screen will also change typeface.

The classic example of this can be found on the Apple MacIntosh, but IBM's Enhanced Graphics Board (EGB) and the Hercules Graphics Board can bring similar capabilities to the IBM PC family of microcomputers.

However, one development that is particularly likely in the coming months is an increased interest in WP/office publishing from the CAD (computer-aided design) specialists, since they already have very high resolution workstations and page printer/plotter output devices. DEC and Hewlett Packard are particularly well-placed for such a move.

The new page printers are usually, but not necessarily, laser printers (note that Centronics recently announced a new laser printer with an end-user price of less than £2,000). Page printers are dot-matrix printers that treat a whole page as a single enormous matrix—which means that any picture, font or mixture of both is potentially possible.

But page printers are primarily designed for, and mostly used by, PC users rather than WP users. In fact it is only now that third party producers are developing the interface necessary to allow traditional dedicated word processors (from AES, Wordplex and so on) to drive the mainly Japanese page printers. Systrex, for example, has developed a series of protocol converters to allow WP users to output to laser—and it believes that there are 300,000 UK WP users that are potential "converts."

● **Integrated Word Processing**

The second most important trend in word processing is a movement away from the stand-alone concept towards a multi-user and integrated office automation solution. This is not simply the joining together of many users so that they can share a common filing system and a central printing resource, but the total integration of multi-user word processing within the overall corporate system.

Several new developments are making this possible. First of all, new and more powerful microprocessors allow many users to share a single system. However, the rapidly improving telecommunications infrastructure (with British Telecom worriedly looking over its shoulder at the technological expertise of an increasingly important Mercury) now means that a small local cluster of word processing users can link transparently to the central corporate mainframe hundreds (or thousands) of miles away — "transparent" meaning simply that the user is not, or need not be, aware of the connection.

Wordplex, which is imminently expected to announce reassuring interim figures, illustrates these new moves. Wordplex 8000-users can send documents to (or receive from) mainframes such as ICL, DEC or IBM; combine the documents with information produced under attached PC or MS-DOS systems; edit the combined document; and forward the result to any other user on the system.

When this capability is allied to the Wordplex support of Unix, its ability to link directly to DEC's All-in-1 office automation software, and the continuing development of a Wordplex/IBM DISOSS interface (DISOSS is IBM's emerging office automation standard), then it is easy to see that the future of word processing is no longer just automated typing, but the total integration of text processing and office publishing within a single integrated and automated office.

Kevin Townsend

Small Business Computers

All eyes on Alan Sugar

TWO WEEKS ago, Amstrad Consumer Electronics launched what is colloquially described in the computer industry as an "IBM clone," a look-alike machine modelled on the industry standard IBM Personal Computer.

The Amstrad PC 1512 was launched at $399, a price which Alan Sugar, the company's chairman, claimed would barely allow IBM to recover its overheads were it to charge the same price for its own originals.

It is inconceivable that IBM will just walk away from the very market it created. However, it has been overtaken by its own momentum.

IBM controls 60 per cent to 70 per cent of the total market for all computers worldwide, but its share of the $45bn personal computer market has dwindled to about 40 per cent or 45 per cent according to various industry estimates. Its US share is even lower at 30 per cent.

Sugar's entry into the market may take another bite at IBM's slice. Sugar the man, has become more important than Amstrad, the company. People do not talk about what Amstrad will do—they always refer to Sugar.

This style of management plays an important part in shaping people's perceptions of the bold individual bravely squaring up to the faceless corporate monolith. The same was true of Adam Osborne, the man who invented the bargain computer and packaged it as a "luggable" portable.

The cycle of glut and famine is forever present in the chip market. Sugar made the computer industry sit up and take notice when he resurrected the 8-bit microcomputer, an earlier generation of product, in the form of his tremendously successful PCW 8256 Personal Computer/Word processor.

He bought at the bottom of a chip slump at a time when chipmakers were desperately trying to clear their shelves of obsolete 8-bit microprocessor chips and to raise cash for capital investments in their new generation of 16 and 32-bit processor chips.

While other manufacturers had already vacated the eight-bit market and were scrambling to produce higher-margin 16-bit personal computers in competition with IBM, he traded off margins against volumes.

For the last couple of years, the manufacturers of 16-bit IBM clones have seen their margins squeezed in an endless spiral of price cuts.

Yet Sugar now undercuts even the cheapest among them, apart from a handful of unknown companies and from Tandy which tried to take the wind out of Amstrad's sails by launching equally cheap machines two weeks before the launch of the PC 1512. Others are bound to follow suit.

Although IBM was never in the eight-bit market, it now looks to be vacating the low end of the 16-bit market, leaving a gap which Sugar is eager to fill. Some observers are sceptical that he can make the same low price, high volume formula work for 16-bit personal computers.

Unlike IBM, Amstrad does not manufacture its own components and sub-assemblies. This may be a good thing in a buyers' market when the last thing a manufacturer wants to be lumbered with is a high manufacturing overhead cost structure.

But if the market takes off again as it looks set to do, suppliers can afford to sit back and sell to the highest bidder. That is when vertical integration becomes fashionable again and manufacturers attempt to secure their sources of supply, triggering off a spate of takeovers and mergers.

Alan Sugar: another bite from IBM's slice

IBM had chipmaker Intel sewn up when it counted—during the last chip famine. Sugar cannot rely on buying in forever. If he is to make it in the long haul, he will have to establish a sound manufacturing base.

If he continues on a strategy of offering a lowest price, he is bound to enter an area of irreducible cost. His most expensive sub-assembly is disc storage, particularly hard disc storage for storing large volumes of data. A 20 megabyte hard disc doubles the price of an Amstrad PC 1512 from $399 to $799.

Three US manufacturers—Seagate, Shugart and Tandon—dominate the market for personal computer hard disc storage. Tandon sells a 20 megabyte "hardcard," comprising hard disc and controller on a single printed circuit card, to dealers for $315. If a dealer adds $85 he can supply the end-user as cheaply as Amstrad can.

James Minotto, managing director of clone manufacturer Tandon UK, accepts that the low end of his company's range of 16-bit Personal Computers will come under severe attack from Amstrad, but believes that despite Sugar's protestations to the contrary, he will have to cut corners on things like customer support at the margins he is proposing.

"If he is going to sell to so many first-time users trying to find their way around the machine," says Minotto, "he is bound to get a flood of telephone calls, and below a certain margin, one cannot even afford to answer the telephone."

Tandon's PC prices include a three-month on-site warranty, which means that an engineer calls at the users' premises to carry out warranty repairs instead of the user having to send his machine away. As a competitive weapon, this can be expensive.

IBM's emphasis is now on the newer generation of PC ATs, based on the faster and more powerful Intel 80286 microprocessor chip.

If IBM is leaving the low end of the market to clone manufacturers trying to shave off increasingly meagre margins, so are the traditional clone manufacturers such as Compaq and Olivetti.

They are following IBM into the market with PC AT clones. Tandon's Minotto describes his own PCA range of AT clones as "high margin products," accounting for an increasing proportion of Tandon sales.

Sugar wants to speed up this process. The fewer the competitors at his end of the market, the more likely he will be to prove the profitability of his low margin high volume equation.

If it works, this can only mean good news for users. Software suppliers and suppliers of hardware add-ons such as peripherals, printers and semiconductor memory, also stand to benefit. However, they will also have to subscribe to Sugar's equation.

Even before the launch, a number of software suppliers introduced "budget" versions of their software, cut down in capacity and/or functionality.

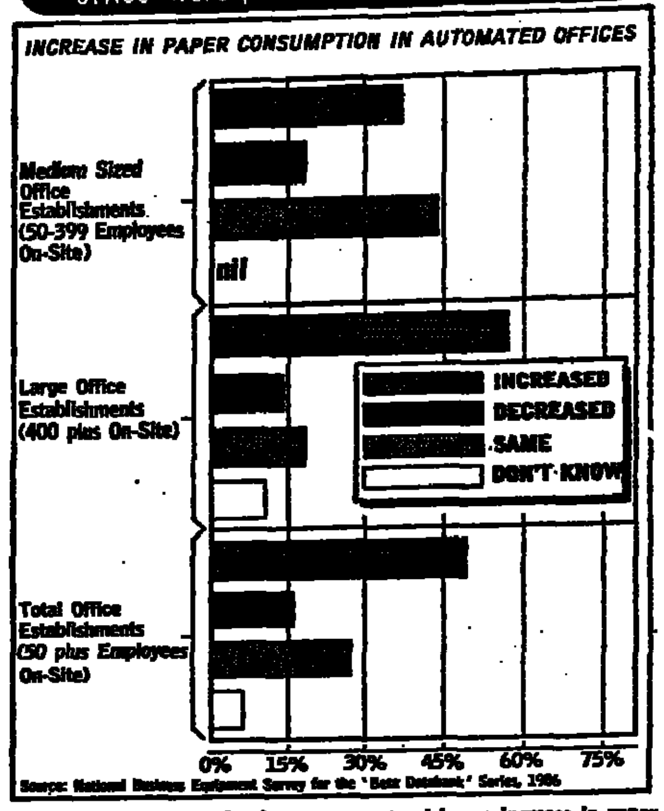
They, more than any other group in the computer industry, will be laughing all the way to the bank because apart from volume profits, they will have a number of users who will sooner or later reach the limit of their software's capability and will want to upgrade to the grown-up version.

This will not be cheap, but users will always have the option of buying another bit of software elsewhere, as long as they are prepared to unlearn what they have learnt and relearn something else.

Software is more difficult to clone than hardware. For one thing, software copyright protection is getting tighter all the time.

Boris Sedacca

How the prophets of the paperless office were proved wrong



Source: National Business Equipment Survey for the 'Betz Databank' Series, 1986

● FIVE YEARS ago the buzzword for the office of tomorrow was the 'paperless' office. The very phrase sent a shiver of misapprehension down the spines of paper and storage system manufacturers. Would the new electronic communications technology drastically slim down their markets as more and more information was consigned to a computerised form of memory, such as tape or disc?

Now new research produced by National Business Equipment Survey finally nails the myth of the 'paperless' office once and for all: 59% of the medium/large companies using micros and wordprocessors say they are actually generating more paper rather than less. The larger the company, the more likely they are to claim an increase in paper consumption.

The most frequently cited reason for the rise in the use of paper is 'increased business' (mentioned by 23% of companies reporting a rise).

Britain's stationery market is served by more than 500 manufacturers and deals in an extensive and growing product range that straddles the consumer and commercial markets. Rank Xerox, meanwhile, is the biggest supplier of cut sheet paper in Europe, mainly supplying the reprographics sector.

The electronic office is also bringing with it other lucrative and expanding markets for "consumables"—the ribbons, printheads and floppy disks without which many kinds of office equipment simply cannot function.

Remploy moves into the office sector

REMPLOY, the company which provides work for 9,000 disabled workers throughout Britain, has launched what it calls its boldest-ever product venture, aimed at capturing an extra £4m in the expanding office-furniture sector.

The Remploy Exel range, a copyrighted British registered design, is a new concept in co-ordinated furniture design, materials and colours for the office and marks an important step in the company's decision to increase its share of this growing market.

Mr Bill Elliott, contracts manager of Remploy's Swansea-based contract wood division, says the aim is to achieve extra sales in the commercial sector.

Over the next two to three years, the Exel range is targeted to achieve sales of £4m. Designed in-house, the range is aimed at a volume market "where the buyers want something more than just a desk," says Mr Elliott.

Remploy's investment in high-tech machinery is ideally suited for the production of quality products. In addition, the company's operation is labour-intensive and this gives their products "hand-finished appeal."

The emphasis of the Remploy sales drive will be on institutional buyers—banks, insurance companies, building societies and larger national corporations. Although desks are being launched in two basic sizes and colours (natural oak and two-tone grey), one of the main points of appeal to the institutions will be Remploy's ability to supply bespoke orders in house colours.

Electronic Filing and Storage

Technology costs are coming down

IT IS easy enough to store away piece of information. Finding it again is much more difficult.

Highly structured information such as financial accounting, for example, is easier to store, particularly with the help of computers and software, and when compared to free-form information, does not as a rule require large amounts of storage.

The storage of free-form information such as text, documents and graphics images has been applied to many media. Computerised or word processed text is most rapidly accessed and manipulated from magnetic disc storage.

The cost of this technology is dropping all the time, but users tend to soak up storage as quickly as it is made available. The storage capacity of floppy discs is increasing all the time.

The current norm for the standard IBM Personal Computer is 360K bytes (360,000 characters), and 1.2 megabytes (1.2m characters) for the PC AT, but hard disc storage with capacities of 10, 20 or 30 megabytes is becoming commonplace on personal computers, with some machines offering up to 60 megabytes.

Such volumes of data have to be protected. Backup copies have to be made in case the disc fails or the computer goes up in smoke after an office fire for example.

The most common form of backup is magnetic tape. An alternative is the floppy disc, but a fully loaded 10 megabyte IBM PC XT will require about 30 floppy discs and a lot of patience for a very tedious task.

Magnetic tape storage is expensive but useful, not only as a backup medium but for archival storage too—storage which is not required to be immediately accessible and on-line.

One novel approach to backup involves the use of domestic video cassette recorder. Alpha Microsystems supplies a printed circuit card for the IBM PC and clones which turns a VCR into a reliable backup medium at a much lower cost than magnetic tape.

The Alphamicro Videotrax card costs $595. A complete system which includes a Sharp VCR with modifications for computerised remote control to eliminate manual intervention costs about $1,000.

The system can be preset for automatic backup, for example, every night at midnight or at any time when the computer is unlikely to be used.

A standard three-and-a-half hour video tape will easily backup 60 megabytes of disc storage at about a tenth of the cost of magnetic tape. The system also provides a complete audit trail of previous backups giving time, date and other details.

Magnetic disc and tape storage may be the current state of the art but optical laserdisc storage promises to offer much greater quantities of storage at a much lower cost.

The problem at the moment is that most of the information is available as playback only or read-only memory (ROM).

The mechanism for writing to compact disc (CD) is still too expensive and the overall cost of storage will take some time to catch up with conventional magnetic media which is itself not standing still.

Another problem is that optical disc, once written to, cannot be overwritten again. It is more like celluloid film, which cannot be re-used once it has been exposed, than video tape which can.

However, the cost of optical disc storage is so low that the updated information can be written to a new disc area and the old storage area can be discarded. With clever software techniques and copious segmentation of disc areas, the amount of waste can be diminished.

The type of information which takes best advantage of optical disc anyway is somewhat archival in nature. Users will want to store static data such as graphics images and documents, and it is this type of data which requires large amounts of storage.

Optical disc storage is more of a threat to microfilm storage than to magnetic media.

Boris Sedacca

Electronic Printers

Battle for market share

THIS YEAR has seen intense activity in the battle for market share in the overcrowded printer market. In Europe alone, sales of computer printers have topped $3.5bn and there is an increasing trend towards price-cutting in most sectors of the market place.

There are some new printing technologies such as ink jet and laser-based machines coming into the field to add new interest. But the sector is still dominated by the dot matrix printer — which has the virtue of low price and is mainly used for draft-quality documents. Manufacturers believe that the dot matrix machines coming onto the market with high specification and, with attractive prices, will hold dominance until at least the end of the decade.

Dot matrix machines account for about 71 per cent of all so-called character-by-character printing units sold, representing about 50 per cent of the market by value. Daisy wheel printers remain the second most popular option for connection to small computers, particularly in word processing systems where typewriter printing quality is needed. However, new dot matrix machines are now nearly matching this quality and also operate faster.

It is a market dominated by the Japanese. A survey published by IDC last year showed that Epson sold 23 per cent of the serial dot matrix units in 1984, followed by Seikosha with 8 per cent, OKI with 8 per cent and Mannesmann Tally from West Germany with 6 per cent.

But there are many other manufacturers including Citizen (better known for its wrist watches), Brother, Itoh, Shinwa and Panasonic in Japan and Facit, Olivetti, Siemens, Centronics, Philips and Nixdorf in Europe.

Epson now believes that it has about 40 per cent of the market for dot matrix sales and OKI claims to be number two in Europe with over 15 per cent. However, these figures apply to what is known as the non-captive market to which these companies have access.

The captive market includes, for example, IBM printers supplied with its own brand of computers. When IBM introduced its first personal computers more than three years ago, it went to Epson for its low cost printers. Now IBM has set up its own private factory in Amsterdam to make four models for the European market, competing directly with Epson and OKI.

The personal computer boom has produced a drop in the price of dot matrix printers from $1,000 in 1980 to less than $500 today. Equally this market has encouraged the development of lower cost non-impact printers using laser, ink jet and thermal techniques — their higher quality being attractive in the office equipment market.

Casio and Epson have even harnessed liquid crystals to work in printing systems. Here, fast-acting crystals are used to switch light on and off to form characters on a photosensitive electrostatic drum. Such printers can be up to eight times faster than those of dot matrix machines.

Laser printers are forecast to be the most successful of these burgeoning technologies. Xerox pioneered the technology for high throughput devices while the low cost end has been more attractive to Canon of Japan. This company now leases this part of the laser field and companies such as Hewlett Packard and Apple Computer use the Canon mechanism in their laser printers. But there are at least 20 other Japanese companies developing inexpensive laser printers working at a speed of less than 20 pages a minute.

Elaine Williams

Patterns in Purchasing

A big rise in leasing

THE PAST two years has brought exceptional growth for the office equipment leasing sector in the UK with a record £1.3bn in transactions being handled by the member-companies of the Equipment Leasing Association alone.

This figure does not, however, include a large quantity of equipment obtained by end-users with finance arrangements made directly with manufacturers and suppliers.

A key factor in the advance in leasing was the 1984 Budget which introduced phased reductions in capital allowances, so that many users brought forward their investment plans for office equipment.

Until April, 1984, any company buying office equipment received 100% first year capital allowances, but this was reduced to 75 per cent in 1984-1985 and 50 per cent in 1985-1986. From April this year the figure was reduced to 25 per cent annual allowance on the reducing balance.

The result of this has been "two bumper years" for the UK leasing industry, says an ELA spokesman.

Britain has the largest leasing market for office equipment in Europe. In 1984, equipment obtained by ELA member companes alone totalled £835m, but this rose to £1.3bn in 1985 out of an overall leasing market total of £5.75bn.

Indicator

Groups such as Anglo Leasing, Lombard North Central, Northwest Securities, and Lloyds Bowmaker have substantial involvement in the leasing of office equipment. Anglo Leasing has this year arranged a £60m five-year revolving acceptance facility by tender — an indication of the continued growth in the leasing sector.

Leasing packages allow offices to obtain new equipment without disturbing cash reserves or using other lines of borrowing, such as overdraft facilities. Under a leasing agreement only the first rental may be payable at the time the lease is signed —and even the first rental may not be immediately payable.

Then there is the benefit of rentals at a constant level during the primary period of the lease with the cost not subject to change in money costs or recall without notice.

Rentals are chargeable to revenue in the lessee's accounts and may be fully allowable for tax purposes. Leasing also has the benefit of flexibility, since the period of the lease may be arranged to suit the lessee's particular needs.

"Profits for companies come from the use of equipment, not from ownership," points out Mr Arnold Edward, chairman of the Black Arrow Group which has leasing arrangements for a wide area of capital equipment, including office furniture.

Solution

Leasing is the obvious solution for companies which do not wish to tie up their liquid resources in the form of assets which may not be easily realised, adds Mr Edward.

In the quest for greater productivity, flexibility and cost-effectiveness in offices, companies have come to realise that greater capital investment in new equipment is clearly worthwhile, adds Mr Edward. In the City, for example, companies which may once have spent £500 on a workstation now realise that a considerably larger investment is "not really material" if it boosts productivity.

He estimates that as much as £30m worth of office furniture a year is leased in the UK or obtained through special financial arrangements.

One example of a Black Arrow lease is with the Wimbledon-based computer, James Martin Associates. For £3,400 a month the company has had its complete office complex fitted out by the contracts division of Black Arrow.

With this lease agreement which runs for a primary period of three years, they have installed in an open plan area 3,500 sq ft, Canadian Precision System 9 screen-based furniture to create a visitors' lounge, reception area, staff kitchen, meetings area, conference room and individual work-stations for 12 staff.

The office equipment sector is traditionally strongly orientated towards leasing. Some equipment is also rented, perhaps on a monthly basis, but such methods would normally be only a short-term arrangement for, say, typewriters.

Surveys show that, on average, 43 per cent of equipment is leased, 40 per cent is bought, 15 per cent is obtained on other rental arrangements and 2 per cent is acquired by hire purchase.

The latest National Business Equipment Survey reveals, however, that in the UK copier market, renting is increasing in popularity (up 15 per cent last year on 1984), while the number of offices choosing to purchase outright is down 5 per cent and leasing has dropped by 9 per cent.

Last year, 26 per cent of copiers were rented, 32 per cent were leased and 42 per cent were bought. The main reason given for the increase in renting is that it enables buyers to change their copiers at whim and so keep pace with technological developments. With leasing, purchasers find that they are tied to a particular machine for an average of three to five years, the length of the standards agreement, says the NBES "Continuous Copier Survey."

The trend towards copier renting is unlikely to be met with a great deal of enthusiasm on the part of manufacturers and suppliers, who would prefer customers to either buy or lease, as this provides them with instant access to funds.

Many new packages are being offered for various sectors of equipment—for example, City Fax rentals believes that it is the first UK company to offer short-term rental programmes for facsimile machines. Under an agreement with Siemens, City Fax Rentals offers facsimile users 15-month rental arrangements.

Mr Tracy Benjamin, director of the company, says: "In contrast to leasing and outright purchase, we believe that our short-term rental periods offer users access to the latest models, without fear of obsolescence."

Photocopier leases are being increasingly written to incorporate a minimum number of copies to be made through the terms of the lease, which aids the dealer's cash flow and in turn helps to keep down his charges to end-users.

While leasing of equipment clearly offers advantages to users, there can be problems, particularly in copier arrangements.

"Many copier dealers quote lease terms, but remember that they are only acting as middlemen, putting you in touch with third-party finance companies," says a recent report in "What To Buy For Business."

The report advises: "If you are going to lease, make sure that you shop around for the best terms between leasing companies. Don't just accept the terms quoted by a copier company without checking whether you can get better value on the finance elsewhere by going to the lease companies direct."

Experience shows that rates charged by leasing companies do vary considerably, and that a company "which offers the best terms in one month may not necessarily be the best 12 weeks later," adds the report.

Michael Wiltshire

Quarterly leasing rates

● Examples from Black Arrow Finance for leasing office furniture:

Cost of goods	3-year lease	5-year lease
£	£	£
250	28.96	20.63
500	57.92	41.25
750	86.88	61.88
1,000	115.83	82.50
1,250	144.79	103.13
1,500	173.75	123.75
1,750	202.71	144.38
2,000	231.67	165.00
2,500	289.58	206.25
3,000	347.50	247.50
3,500	405.42	288.75
4,000	463.33	330.00
4,500	521.25	371.25
5,000	579.17	412.50
7,500	868.75	618.75
10,000	1,158.33	825.00

All leasing rentals are subject to VAT

Facilities management: key roles for an emerging profession

ASK A computer professional what "facilities management" is and the answer would be that it embraces the provision of complete computing services — for instance, corporate computer systems, desktop computing, networking, laser printing, disaster recovery and software support.

Ask the same question of an office planner and the answer would be that it covers everything to do with managing the workplace — building design and office layouts, furniture specification, provision and management of systems and equipment, staff services such as vending and catering.

Ask the premises supervisor and you will be told that facilities management is all about building care — office and equipment cleaning, building renovation, safety and security services and so on.

Whatever the contracted service embraces, there is no doubt that a new in-house professional is emerging and we could well see, indeed should see, the creation of a new board member — the Facilities Director — to co-ordinate and give respect to those various activities.

Modern building design and new technology demand greater care than did the antiquated offices and mechanical equipment of yesteryear. Take the seemingly simple task of cleaning. Until very recently, the order of the day was a liberal spray of silicon polish on everything in sight and a quick wipe over with a less than pristine duster.

As long as it looked clean, who cared? But that slap-dash approach in an electronic office could well result in complete and permanent damage to data storage devices, with possibly complete loss of all the company's computerised records.

It is serious business, as Geoff Dove, marketing director of the UK's largest private cleaning contractors, the OCS Group, says: "While the building design has changed and basic cleaning is now easier, the advent of the electronic office demands specialist cleaning skills.

"In fact, we believe that it is so important, we have set up a specific company called Octec to handle this side of our business, and we only use highly trained people."

But while most companies, to a greater or lesser degree, do clean their offices, many appear to be under the illusion that what the eye does not see the heart does not grieve over. They do so at their peril, as the Public Record Office discovered last year, when 250 staff were struck down with a mysterious illness.

When Dr Keith Stanley, Health and Safety Executive employment officer, investigated, he blamed the "sick building syndrome" which manifested itself in the "baby brother of Legionnaires disease." The problem was that the airconditioning did not work properly, so the air was not being adequately cleaned before being recirculated.

Stanley felt that the building designers were at fault for "designing a building purely for document preservation and not for the people who work there." Nevertheless, someone should be responsible for making regular checks of such in-house facilities into today's modern office environments.

What holds back most companies, of course, is cost. But Dove believes that anybody engaging in a contract should be able to budget for the necessary services: "The person buying the service should research the market and ask four possible suppliers to tender for each contract.

"They should investigate not only the charges but the company as a whole, including its history, its management, its specialist personnel and the equipment it uses.

"UK companies are definitely beginning to emulate American firms with regard to building care — buying what they call 'janatorial services' from one contractor."

Julie Harnett

New Telephone Systems

Good news for callers

THE DIGITAL revolution is good news for telephone users. British Telecom is now well under way with its network digitalisation process while the network being installed by Mercury Communications is entirely digital from end to end. All customers connected to digital exchanges will benefit from significant improvement in the quality and range of services.

Digital operation gives customer faster call set-up and connection, together with clearer speech. Digital private automatic breach exchanges (PABXs) are also increasingly being installed so that these facilities will be available throughout the office.

However, the most radical option that is to be expected in office telephone systems in the near future is Centrex—central exchange. It will allow the features normally associated with a PABX to be provided from the telephone company's telephone exchange.

While this service has been offered in a basic form in the US for several years, it is the technology of today's advanced digital exchanges which, together with fibre optics, make it feasible to obtain the sophisticated performance that is now becoming available.

As any office or telecommunications manager knows, PABXs are costly, they occupy an appreciable amount of valuable office space and are frequently obsolete and, almost invariably, have the wrong capacity to meet changing needs.

Facilities

Centrex, however, provides an alternative to on-site PABXs. It allows users to adopt the advanced features of modern PABXs without having to plan, purchase, accommodate and instal their own equipment and also allows them the flexibility to accommodate the changing needs of growing organisations.

It is applicable both to the large organisation and the small company in a multi-tenant office block. In the latter case sometimes the telecommunications facilities are provided as part of the management services, but more frequently the tenant has to provide them. This is both a burden and a brake on business movement and expansion.

Both Mercury and BT have announced plans to offer Centrex services based on 10,000-line telephone exchanges — Mercury having stated that it expects to be able to offer the service in the City of London before the end of the year while BT is planning to launch a trial, also in the City, early next year.

Centrex can be considered as having the PABX sited at the local public telephone exchange with wires associated with each extension running all the way back to that exchange. It is expected, however, that it will be implemented via a single fibre optic cable to a building. This will be the equivalent to possibly hundreds of ordinary copper wires and be economically viable.

As the Centrex features are being provided on a 10,000-line exchange, the effective cost per line is relatively low. Thus, a number of customers share the same central "PABX" and will be able to specify which advanced features they want to be able to use.

Centrex facilities are, in fact, shared in the same way that we all share the facilities provided on a public telehpone exchange.

Line-hunting

The facilities which will be available are those of a modern PABX and will include line-hunting, the seeking out the next available free extension in a group; call forwarding to ensure that calls to unattended extensions are answered elsewhere; call hold, transfer and pick-up; and automatic call-back, to get through to a busy extension when free.

In the same way that there can be operator positions at each site on a network of PABXs or there can be a single central one, Centrex can provide similar facilities. In addition, Centrex will generally be able to interwork with PABXs already being used by the company and it will even be possible to have these facilities spanning a number of sites even if they are widely dispersed.

Thus, Centrex is both complementary and competitive to the PABX in the business environment. One essential factor being that whereas PABXs can be supplied by independent vendors as well as the network supplier, eg BT, Centrex will be the province of the carrier.

The Office of Telecommunications (Oftel) is, in fact, looking at the implications on these developments on the Branch Systems General Licence (BGSL), which covers the systems run by most users of telecommunication services.

Adrian Morant

Facsimile Market

A new period of dynamic growth

WITH THE dramatic growth in the facsimile market in the past years, it is surprising to find that the technology is not a recent innovation but was invented by a young Scot, Alexander Bain, more than 30 years before the telephone, in 1842.

Originally transmitting documents including graphics and photographs over the telegraph wire, but now using the public telephone network, facsimile is one of the most dynamic areas in the office equipment market with a predicted 64 per cent growth in volume this year, producing sales of £78m in the UK, claims the British Facsimile Consultative Committee.

During the second quarter of 1986 almost 11,000 machines were sold compared with 5,000 in the corresponding period for 1985. The total installed base is now over 60,000, compared with 9,952 two years ago.

Worldwide it is widely believed that facsimile terminals now outnumber telex at more than 2m. Facsimile became more appealing with an increase in competition leading to lower prices and the introduction of sophisticated digital machines which could transmit documents faster than their analogue predecessors.

Facsimile has many attractions. A large user base and easy-to-use machines requiring no operator training, means that a document can be transmitted quickly to anywhere in the world via the telephone for the price of a call.

The terminals conform to one of four compatible groups—the groups relating to the speed at which they transmit an A4 document to a terminal of the same group. Group one can transmit a page in six minutes, group two in three minutes, group three in a minute and group four in five seconds.

Group four is the latest standard to be ratified and is primarily designed to work on digital telephone networks which will probably not be completed nationally for a few years to come and, therefore, although Canon and NEC have machines available it is unlikely they will have a large impact on the market in the immediate future. However, for particularly heavy volume users it is possible to lease one of BT's X-stream digital line today.

In any case, most group three machines on sale have as standard a 9,600 bits per second modem which can transmit faster than a 4,800 bits per second modem, the standard of a few years ago, bringing down the transmission speed to under 30 seconds.

Groups one and two are rapidly becoming obsolete with over 95 per cent of the 60,000 machines installed in the UK being group three and it is this group which is set to predominate the market for the foreseeable future.

With prices falling, facsimile is now enjoying a mass market. Today's trend is for departmental machines, where the senior executive or departmental head installs a low cost machine for anything from £1,500 while at the top end of the market there is a move towards plain paper terminals using laser printing technology.

Sophisticated functions are featured even at the lower end of the market and include sequential broadcasting (sending the same message automatically to several recipients); automatic dialling; multi-polling (programming the terminal to call other numbers to receive awaiting messages); and error correction — a function that checks that the document has been scanned correctly and that nothing has been missed out.

On the upward trend are machines with storage facilities in the form of a hard disc or internal memory. The level of sophistication varies from a memory which is basically an enhancement of automatic dialling, enabling a large number of telephone numbers to be stored, to machines such as Pitney Bowes 8,900 which can store 400 pages.

Integrating facsimile with computers is the next major step forward and is likely to cause reverberations around the computer industry, opening the doors for a common standard of computer communications—an area at present plagued with incompatibility.

This development will enable documents created on computer to be transmitted via the facsimile terminal and, vice-versa, for messages received by facsimile to be relayed to the computer—even though the receiving computer terminal may have an incompatible operating system.

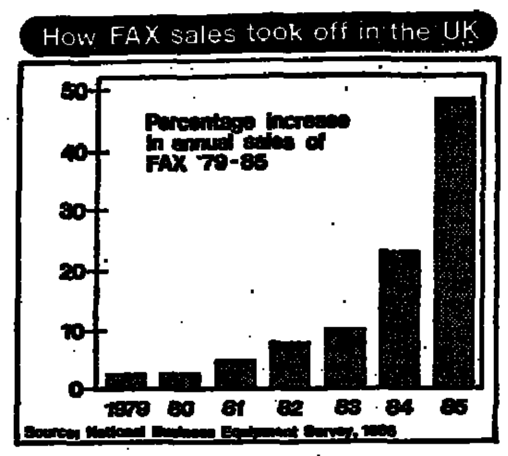
Today's terminals may also be integrated with computers but to a lesser degree—for example with a hard disc computer—it is possible via a RS323 interface to connect a facsimile terminal to the computer, using the hard disc for storage of facsimile documents. What you cannot do, however, is bring these documents on screen to edit and then transmit via the fax.

Laser printing, offering a much higher quality, higher resolution printing, is soon to be offered on group three machines from Canon and Infotec in the UK—an indication that group three is not about to make way for group four.

Plain paper fax could lead to substantial savings in paper costs over the expensive electro thermal paper. However, these machines are likely to be aimed at the top end of the market featuring many sophisticated functions.

Electronics and micro processor have allowed the technology to be miniaturised to the extent that there are various truly portable machines available, such as the group two 2,000 from Ansercall (price £499). Transmission and reception is via an acoustic coupler which connects to any handset, allowing facsimile to be connected to the mobile telephone network cellular system—a boon for such areas as emergency services and sales departments.

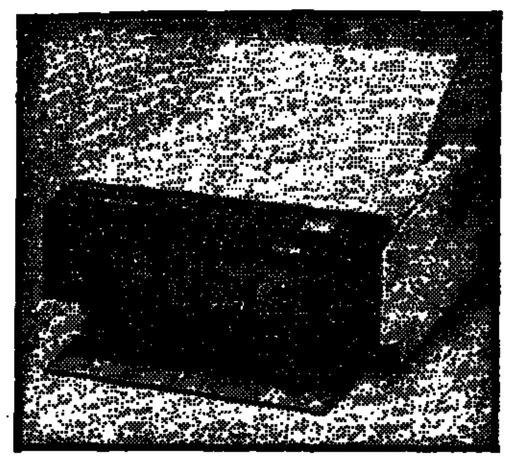
Jon Moggridge



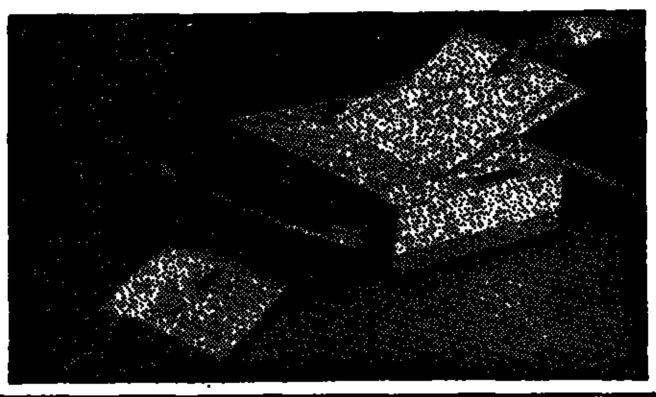
● Sales of facsimile machines jumped by 48 per cent in the UK in 1984 and are set to rise to an installed base of 110,000 by 1990. Meanwhile, the worldwide number of fax terminals is already 2m, according to market analysts.

Prior to 1983, the UK fax market was in the doldrums. Fax suppliers found they were meeting with widespread purchasing resistance from more or less all sectors of industry.

As the slow growth in the annual percentage increase of sales, recorded by National Business Equipment Survey shows (above) companies were, by and large, simply not prepared to buy in the new technology. Between 1979-1983, percentage growth in unit sales crept up by a mere 2 per cent to 3 per cent each year.

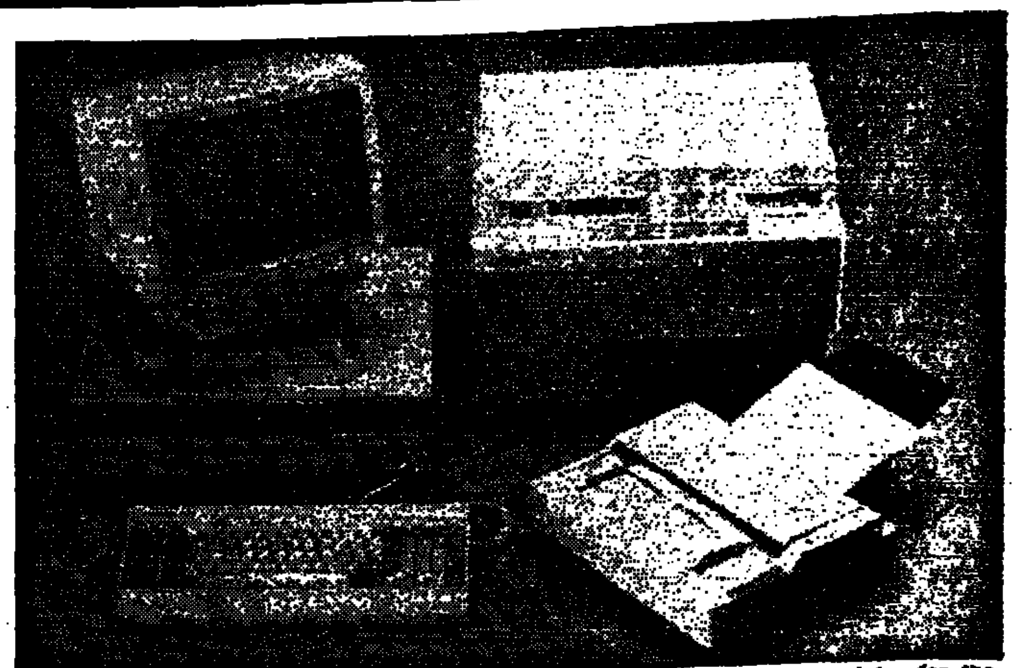


● Above, right: a compact auto-dialling facsimile machine from Panasonic Industrial, one of the major manufacturers of facsimile equipment.



● This compact, portable Xerox 7010 machine, launched by Rank Xerox, is aimed at the market for facsimile equipment, estimated to be growing at a compound rate of 115 per cent.

For a price of £1,985, it includes a 24-number memory telephone and is seen by Rank Xerox as a key contributor to the concept of networked text and graphics communications between departments or companies operating either within national or international boundaries.



● LAUNCHED this month: Canon is making further advances in the area of personal computer image handling and electronic publishing with the launch of its improved image scanner—a compact, high speed desk-top image input device for text, graphs, drawings, maps and pictures.

Pictured above is Canon's electronic publishing system, consisting of the A200II personal computer, the IX-12 image scanner and the LBP-8 laser beam printer for the production of business forms and stationery as well as such items as illustrated price lists or technical training manuals. The system allows the application of photos and plans for such users as estate agents, architects and builders. The IX-12 scanner (price: £1,450) has an image resolution of 300 dots per inch. A page is scanned within 12 seconds, giving 16 grey shades for half-tone reproduction.

Mobile Communications

How to stay in touch

CELLULAR RADIO provides a solution to one of the businessman's perennial problems—that of being out of the office and yet not out of contact. However, it is becoming increasingly recognised that the car is not the only place that a person can be when not in the office.

Thus, sets weighing a few kilogrammes, which can be removed from the car and used elsewhere, are finding favour with such people as vets, architects and others who need to leave their cars and work on site.

In addition, despite the price premium, hand-portables are winning a growing proportion of the market.

Since the Vodafone and Cellnet services were launched in the UK less than two years ago, the number of users of cellular radio has risen to around 90,000.

However, even though the numbers are heading towards a possible [illegible]m by the end of the decade, this will remain "small beer" in comparison with the more than 20m telephones in Britain.

The importance rests, not on numbers, but on the ability of the user to remain in contact by maintaining telephone access.

According to Michael Goldstone, managing director of Excell Communications, hand-portables are now accounting for between 15 and 20 per cent of sales. He is aiming to take a growing share of this market with his company's Pocket-phone.

Measuring 7 by 3 by 1 inch and weighing 530 grams it can be carried in a jacket pocket and is the first of the new generation sets to use the latest miniaturisation techniques.

However, it still uses the same sort of batteries as the larger hand-portables from Motorola and other suppliers. Consequently, it cannot be expected to provide greater range, power or a longer duration of operation before recharging the battery becomes necessary.

While first deliveries were made at the end of 1985, it is only recently that quantities have built up. Technophone, the maker of the Pocketphone, now has a production capacity of 2,000 units per week which should be more than adequate to cater for foreseeable demand even with the growing demand for portables.

It has just been announced that the DTI has made available additional channels in the London area for cellular radio. This should enable the maximum traffic capacity of the two systems to be doubled in the central London area where congestion has been experienced.

It will take, however, an appreciable time for the effects to filter through to the user as none of the existing sets are able to make use of these extra channels and the Cellnet and Vodafone networks are not yet equipped suitably.

Initially, 1,000 channels were designated for cellular services. Six hundred of them were allocated equally between the two networks with the remaining 400 reserved for the projected pan-European digital cellular service. Of the additional channels that are becoming available, because of reallocation of frequencies currently allocated to the Ministry of Defence, 200 will become available to each operator.

In due course, if demand justifies it, a further 120 channels could be made available to each operator. This would make 620 instead of the 300 that each operator has at present and so increase the number of subscribers which the networks can support without the quality of service becoming noticeably degraded.

Even though a user can initiate a call whenever and wherever he likes, as any user soon finds out, he has no control as to when he will be called. By picking up the handset while driving a car, the user could be seen to be driving without due care. Consequently hands-free, now being offered as an option with some sets, is increasingly going to become a standard feature.

An alternative is call diversion. At its simplest, the user keys in a special code and then the number to which he wants calls diverted—his office, for example. Calls would be handled as appropriate and he would be able to remove the "diversion" and call for messages later.

But what of the person who for some reason does not have a normal office back-up? Here, it is possible to divert calls to a service such as BT's Voice-Bank voice messaging bureau service or alternatively to Racal's Messenger service.

With the increasing reliability of mobile data transmission another option will be the use of terminals in cars which will receive written text messages irrespective of whether or not the user is available.

Adrian Morant

Electronic Mail

Key facility for far-flung offices

ELECTRONIC MAIL comes in a number of guises. It can be simply a way of sending information between computer users within a company or building or it can be part of a dedicated worldwide private network—alternatively, it can be a very comprehensive system that gives access to other public communications services, such as telex and computer databases.

In electronic mail systems, users are given their own electronic version of a mailbox—usually stored in the memory of a large computer—where they can receive messages from other subscribers within the system. All the user has to do is switch on his or her terminal, sign on with a series of code words and the messages in the mailbox will be transferred to the terminal. Equally, messages can be sent to any other mailbox in the system.

Most of the major computer suppliers such as IBM, Data General, Burroughs, Olivetti, Hewlett Packard, International Computers have software available which can provide their corporate users with in-house electronic mail systems.

This has proved quite a boon to many companies with far-flung offices which need to be contacted out of normal office hours, due to international time differences. Salesmen, away from their offices, can use portable computers in hotels to send reports and receive instructions from head office's electronic mail system via the telephone.

Networking—where a number of terminals or small computers are linked together—has provided the platform for electronic mail systems. Xerox, which was one of the first companies to develop local area networks (or LANs) with its Ethernet system, is a heavy user of electronic mail on its networks. It has between 200 and 300 local area networks which is formed into a wide area network, allowing any terminal in any of the local networks to communicate to any other user regardless of distance.

Perhaps one of the stronger potential areas for electronic mail systems is in the small business environment. With a low-cost computer system, a suitable modem (which connects the computer or terminal to the telephone) and a subscription to a public electronic mail system, small businesses have access to the type of facilities previously only available to large companies.

Potential customers have a wide choice of electronic mail systems in the US there are systems such as Geisco's Quik-com and Dialcom—Cable and Wireless offer Easilink; while Istel has Comet. And there is Telecom Gold which is based on the US Dialcom system and is compatible with at least 15 other countries that have adopted Dialcom—these include Israel, Singapore, Japan, Hong Kong, West Germany and Denmark.

Telecom Gold has grown rapidly since its introduction in 1982. It took a year to win 2,000 subscribers, but now its customer list has reached 45,000 and the organisation believes that by January next year it will have more than 70,000 subscribers.

In April 1986, British Telecom acquired the Dialcom Corporation in the US so that Telecom Gold has now access to over 250,000 electronic mail-users world wide.

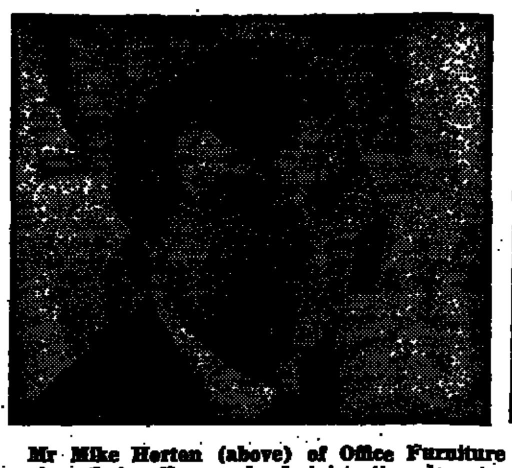
Telecom Gold believes that to increase its business it has to offer subscribers more than the basic mailbox facilities. Every subscriber can send telexes, for example, and Telecom Gold-users can use the network to link into financial and other databases, such as World Reporter, Jordans, and the Official Airline Guide.

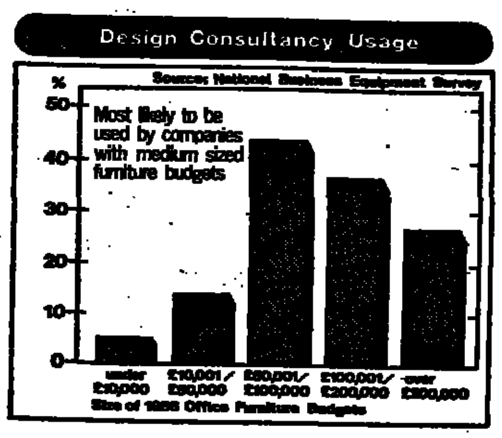
Another important step forward for electronic mail systems will be the X400 standards for communications. Telecom Gold already has tests underway for X400 communications systems which will eventually give subscribers access via Telecom Gold to any other in-house, public or private electronic mail system which decides to adopt X400 standards.

Elaine Williams

The Space Planners

Key target for suppliers





Mr Mike Herton (above) of Office Furniture Systems: "Successful companies increasingly view their offices and administrative departments not merely as a necessary evil, but as a nerve centre or control room for greater productivity and profitability"

A BIG question facing the office furniture manufacturers intent on securing contracts with large-scale business organisations is whether or not to make the architectural and design community one of their major target markets. For independent consultancies, whether in the guise of architects, interior-designers or space-planners, have always wielded a powerful influence over their corporate clients' choice of furniture.

Not surprisingly, therefore, designers in the UK have for long been the "favoured darlings" of the industry, courted by extensive public relations programmes. This is nowhere more true than in the upmarket systems furniture sector.

Some companies, such as Herman Miller, Knoll International, and Interspace, have always made it their business to maintain the closest of links with designers. Other trailblazers, like President and Project, have demonstrated that it is possible to secure a sizeable share of the market by concentrating on sales through dealers or direct sales.

"It's a case of horses for courses," explains Jean Davis, industry analyst with National Business Equipment Survey (NBES). "A few years ago, the British manufacturer G. A. Harvey relied almost exclusively on office equipment dealers for sales generation of their filing-cabinet and desking ranges. Then came the launch of their swish 'George Harvey' system, and overnight they changed tack and found themselves assiduously chasing designers."

NBES's recent survey, "Office Furniture Purchasing Patterns of the Times 1000," confirms the importance of the role played by designers in furniture selection.

"Eighty-six per cent of consultancy users felt the advice received had played an important part in their final choice of brand. Few companies are going to pay for advice and then ignore it," says Jean Davis. Over a third of the companies interviewed had employed outside consultancies for their last major purchase of furniture.

The survey found that independent advice is most commonly sought by organisations with office furniture budgets in the region of £50,000-£200,000. Companies with allocations over £200,000 may well decide to set up their own in-house facility to deal not only with brand selection, but all the related problems involved in a major furnishing programme.

But whilst designers have become accustomed to finding themselves the object of much manufacturer attention, a considerable shift has been taking place in terms of the industry's distribution balance, and this is most marked in the systems sector, the product area which requires the greatest input from designers. There is little doubt that the change in distribution methods will increasingly affect the relationship between suppliers and designers.

Dealer links

Until five years ago, upmarket furniture suppliers were heavily direct-sales reliant, but the movement towards greater dealer involvement has been gathering pace since the arrival in the UK of the world's largest office furniture manufacturer, Steelcase Strafor, at the end of the 1970s.

"Steelcase makes its sales worldwide through dealers," says Jean Davis, "and although it was prepared to follow a 'when in Rome' policy initially in the UK, which meant direct sales, it has pushed ever more determinedly towards a dealer-based marketing policy. Now we're seeing other companies following suit."

Westinghouse, for example, is aiming for a third of its business to go through dealers. The company sees the market in general growing by 15 to 20 per cent this year.

Westinghouse has seen a shift back to the specifier market, away from the end-user purchaser, says Mike Brewster, international sales director, based in London.

Not all suppliers will agree with the view—Martella, for instance, this year claims a 50 per cent increase in turnover for its Finnish-designed products which are only sold direct to users.

Last June, the small but long-established firm of Gordon Russell, a name revered in designer circles, was the object of a takeover by Giroflex, a major seating company, with well over 100 UK dealers.

So powerful is the Gordon Russell image, that Giroflex and its associated companies is to adopt the title, the Gordon Russell Group, before its flotation in late autumn. But while Giroflex is adopting the Russell name, the company itself will be taking a leaf out of Giroflex's marketing practices.

Gordon Russell's "System 100" will be handled by a small nucleus of half a dozen dealers, as will the yet unnamed new system, designed for boardroom and conference areas, and scheduled for a January 1987 launch. The use of dealers amounts to a complete break in marketing tradition for Russell.

Even manufacturers who have traditionally supported dealer networks are devising new ways in which to involve the dealer community, with special emphasis on increasing their ability to handle major contracts, precisely the area in which designers operate.

In a unique marketing exercise, President, which is the brand name used by the British manufacturer, Arenson, and which has always had a strong dealer tradition, is currently launching a simple systems range called "Graphic."

John Sacks, President's managing director, explains that whilst President will manufacture and provide extensive promotional and brand-management support, its name will not appear on the product.

Instead, "Graphic" will be an exclusive dealer range. "Strictly speaking, this isn't own-brand marketing, as the product will consistently be promoted as 'Graphic'," says Jean Davis, who has dubbed the project "satellite-marketing."

"'Graphic' is President's product, and will be able to draw on President's expertise, but to all intents and purposes it will look like an independent operation. It will enable President to supply a selected number of hand-picked dealers — not already part of their established network — with an exclusive product range."

John Sacks is confident that "Graphics" turnover will reach £2m in the first year and says that he has already assembled 14 out of his target of 28 dealers. "Graphics" distributors will actively co-operate on sales and advertising campaigns. Such joint sales involvement is a new approach for dealers but one which Sacks argues they will be quick to see the advantages of.

"The 'Graphic' marketing package means dealers can attrack the national contracts market in a way not previously possible. Combined muscle will give them the ability to service large organisations with far-flung office sites," says Sacks.

It is clear that manufacturers are intent on providing dealers with the means to attack ever-larger sizes of contract, a trend which will bring them closer to the province of designers. Quite how designers will respond to the intrusion of dealers into their cosy relationship with office furniture manufacturers remains to be seen.

According to NBES, a considerable proportion of designers are dealer-resistant.

In a recent survey over one-third said that they preferred not to place furniture orders worth over £100,000 with dealers. The majority of designers interviewed thought that dealers would not be as competitive on price as manufacturers.

If the systems market continues to move towards dealers then it is likely that designers will find themselves increasingly using them as an intermediary source of supply, preference or no preference. Meanwhile, with the market still at the transition stage, many manufacturers are coping with the problem of adjustment by operating scaled-down direct salesforces, giving the option of a choice of supply. In effect, they are currently backing two horses in the race for contracts.

Michael Wiltshire

Office costs rise ahead of inflation

● The cost of providing office accommodation in England continues to increase faster than the rate of inflation. This is the conclusion reached in The Scope Report Update, produced by Space Planning Services, a leading office design and planning consultancy in the UK.

● The following figures are a summary of mean costs in £s per square foot.

	1984	% of 1984 total	1985	% of 1985 total	1986*	% of 1986 total
Building management	1.29	23.9	1.54	26.4	1.537	24.4
Energy	1.21	22.3	1.28	21.9	1.41	22.4
General repairs/maintenance	1.17	21.7	1.39	22.8	1.57	24.9
Cleaning	0.80	14.8	0.69	11.8	0.75	11.9
Security	0.57	10.6	0.50	8.6	0.52	8.3
Insurance	0.26	4.8	0.34	5.8	0.38	6.0
Lift maintenance	0.088	1.6	0.086	1.5	0.12	1.9
TOTAL	5.39	100%	5.83	100%	6.29	100%

Between 1984 and 1985 average service costs rose 8.2 per cent from £5.39 to £5.83 per square foot. The greatest reported increases were in insurance (30.8 per cent), building management (19.4 per cent) and general repairs and maintenance (18.8 per cent). Significant decreases were reported in the cost of cleaning (13.8 per cent) and security (12.3 per cent). *Estimate.

Source: Space Planning Services.

● Building management, energy, repairs, cleaning and insurance account for more than a third of UK office costs. One way to control overhead costs is to engage cleaning or maintenance staff or commission services on a contract basis, suggests Roger Henderson, managing director of Space Planning Services. Annual costs are then more accurately budgeted and services may be dispensed with when no longer required, with no penalty, he says.

Office cost comparisons

● Cost comparisons between the US and England in £s per square foot

	US	England	% Difference, England to the US
Average total service costs	5.11	5.39	+ 6%
Average rent	9.78	11.21	+15%
Total costs	14.89	16.60	+11%

Source: Building Owners and Managers Association (Washington DC), and the UK "Scope" report, 1986

Electronics in the Mailroom

Big boost for efficiency

THE spectacular development of data communications in recent years — typified by one computer talking to another — is often cited as the beginning of the end for the traditional postal services. However, there is every indication that this verdict is premature. A recent survey found that in the fiscal year 1985 mail volume in the US grew by nearly 7 per cent and is expected to reach up to 178bn pieces by 1990.

To cope with this vast increase in mail, microprocessor electronic technology has entered the last bastion of electro-mechanical machines — the mailroom.

Offering tighter cost control and greater efficiency than their predecessors, electronic scales are simple to use, usually requiring one keystroke, and accurately display the weight and rate for all the post office's services. No longer is there the problem of a border-line reading where the user could either opt for the lower or higher rate, thus causing delay or wasting money.

The main growth in this market is at the extreme end of the product scales. At one end there is demand for the technology in its simplest and cheapest form, such as Roneo Alcatel's newest model at under £400, while at the other end there is a trend towards integrating electronic scales with electronic franking machines; thereby creating a system which automatically selects the correct postal rate on the franking machine's meter, via the scales.

This facility is at present offered by Pitney Bowes, Hasler and Envopak in the UK and — according to a Frost and Sullivan report — is the premier development in the market worth an expected $1.1bn in the US by 1990.

With the mailroom accounting for an ever-increasing amount of a company's running costs, machines are now available that offer departmental print-out totals so that costs may be analysed and allocated accordingly.

This facility is either integrated with the machine, printing out on a cash till type roll or is available as a separate unit. However, Hasler has taken this one step further and incorporated an additional port on its F1307 model allowing a computer printer to be interfaced for more detailed cost analysis of post.

There is also a trend towards integrating inserters, scales and franking machines to form an "on-line" system; this is particularly useful for users with a high volume of computer-generated output, such as letters, invoices and so on. But the past year has seen no radical developments in this area.

Following the lead of Pitney Bowes with its Remote Meter Resetting Service (RMRS) for crediting franking machines, it appears likely that other major companies will offer a similar service in the near future.

A recent innovation, RMRS allows the customer to telephone a central computer which issues a coded number. The user then keys the number in thus, re-crediting it to the value of the cheque previously sent to the company.

In the computer addressing market, the argument persists about the merits of dedicated micro-based machines against general purpose microcomputers with special mailing software. Although not in the forefront of technology, and in some cases working out more expensive than a basic microcomputer, dedicated machines can prove a boon for the high-volume user — especially if computer time is precious and the user does not want to be continually interrupted just to run off a few labels.

Jon Moggridge

The Office Furniture Market

Systems sales surge ahead

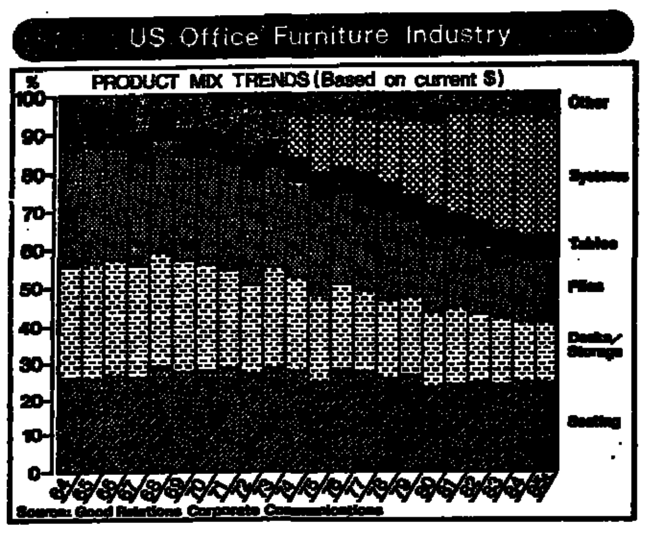
THE OFFICE furniture industry in Europe and the US is going from strength to strength. In the US, furniture sales this year will exceed $7bn, following an average annual increase of 16 per cent during the past decade.

In the UK, the sector is enjoying its third good year—some analysts estimate current market growth at around 15 per cent with sales reaching £321m a year by 1990.

Key factors in the surge in office furniture sales include a general trend to make offices more comfortable—thus helping boost productivity as working conditions are improved. The impact of automation also continues to require more computer-related furniture systems.

Furthermore, the open plan office concept, once hailed as the answer to many office productivity problems, is gradually losing popularity. Today the need for quieter, more private "work zones" is being recognised—thus, cellular offices are gaining favour, especially at management level.

Furniture designs are constantly changing, too. Traditional rectangular-shaped desks, for example, are now giving way in some offices to rounded units with sloping edges. The modern emphasis is also towards flexible furniture systems with a light and airy look, offering ease of movement. Natural wood is popular, particularly at the top end of the market, while laminate finishes and pastel-coloured fabrics are being increasingly used in Europe and US.



The development of what is called the "total office system" means that more computer and office equipment companies are also moving into the systems furniture market, selling to customers the complete package: machines plus furnishings.

Rank Xerox are persuing this concept while IBM has also made its own furniture prototypes. Olivetti, Europe's biggest office automation and data-processing group, offers its own workstations.

Another factor in the demand for new furniture systems is simply the growing number of offices. In the US, there are now 55m white collar workers out of a total civilian employment force of 113m, showing an annual average increase in office staff of 3.1 per cent. The office workforce is likely to reach 81m by 1995.

In the UK, the growth rate in offices is relatively faster: the number increased in 1985 by 9 per cent to 380,000 office establishments, while this year's estimate exceeds 400,000 offices as a result, in part, of the increase in service and commercial industries. This estimate is based in part on office rateable values and Government census statistics.

With the spread of office automation, the furniture manufacturers have seized the opportunity to turn themselves into design consultants, capable of initiating entire systems, including wiring, lighting, air-conditioning, as well as schemes for desking, seats and workstations.

According to a recent Market Assessment report, these new systemised offices may well suit the immediate future, but, in the 1990s, the revolution in computing through light technology and, almost certainly, direct voice command input, could relieve the office workers of any real necessity to travel to an office at all—"there seems every likelihood that a home work station will become the norm, saving immense amounts of money on sites and travelling."

Perhaps the office furniture industry should be re-examining itself with a view to providing "home stations," suitable for tomorrow's digital systems, suggests the report.

Steelcase Strafor, the world's largest office furnishing group, comments that the office environment has undergone a revolutionary change in the last decade — changes brought about by the development of organisations, constantly increasing costs, social factors and, of course, new technology.

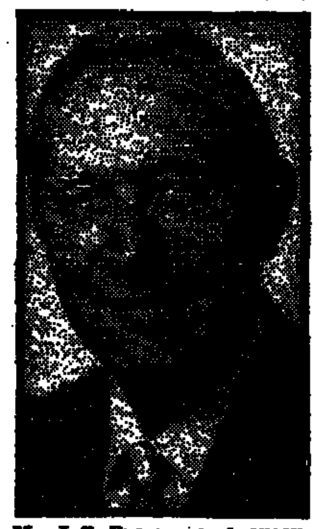
This change has resulted in a new approach to office planning and design, taking into account not only building design, the environment and the future development of the organisation, but also the needs, both functional and psychological, of a company's most vital resource — its employees.

Jack Spalding, managing director of Steelcase Strafor UK, says: "The working environment must respond to several needs — the ability to concentrate, to ease of communication and to decision-making and to better access to information."

Project, the UK's largest office furniture manufacturer, has arranged courses for senior staff, run by Professor Franklin Becker, who, with Dr Bill Sims, co-founded Cornell University's facility management programme. Prof Becker believes that office facilities planning and management in the UK "are probably three to five years behind the US."

Interview, survey and observational techniques, developed in the US for quantifying each client's office design requirements, are the basis of his course for Project on "Preparing the Design Brief."

Statistical data gained from the use of these techniques is then used to evaluate the various office design options and to formulate the right solution for each client.



Mr Jeff Brown at Arenson: "UK manufacturers are strengthening their share of the home market."

The system includes consideration of both the office "hardware" choices, such as raised floors or skirting trunking; down-lighters or up-lighters; such issues as staff privacy and interaction; and individual control of light, sound and temperature.

Included in the overall concept is the corporate philosophy of each organisation, the kind of staff they employ and the types of work they do.

Project claims 16 per cent of the total office furniture market in the UK and is the most profitable supplier in the sector. Herman Miller are the leaders in the fast-growing systems furniture field with a 14 per cent share. Analysts put the value of the systems market at more than £85m, although some trade estimates go as high as £100m or more. Meanwhile, suppliers have captured less than 50 per cent of this expanding area.

There are at least 50 serious contenders in the manufacture of systems furniture which consists of individually selected components, linked together in a flexible, modular form. Users can choose components to create just one work area or work station—or link them together to form integrated desk systems for several people. This has the advantage of making the most effective use of space.

One variation of the concept is the panel-hung system, using partitions—usually referred to as "panels" or "screens"—around each workstation, from which work surfaces and storage units are suspended, thus creating individual work areas with a degree of privacy in what is mainly an open-plan environment.

Systems manufacturers are continually introducing new ranges: market leader Herman Miller will be launching Ethospace at the Orgatechnik show in Cologne—this system will be available in the UK next year and is claimed by Miller to be "the most significant advance in office furniture design since Action Office was launched by us in 1972." More than 2m people world-wide work with Action Office systems which will continue to be Herman Miller's primary product.

One stylish newcomer, Ashar of London, has seen orders worth over £1m won since launching its systems furniture in March this year.

Imported furniture accounts for about 30 per cent of the UK's £331m office furniture market, while screen-based systems constitute about 21 per cent of the market, the figure for all systems furniture (with or without screens) is nearer 45 per cent, according to the Furniture Industry Research Association (FIRA).

Among the importers, Kimball International, one of the top four furniture manufacturers in the US, with sales worth $669m in 1985, opened London showrooms in May this year to promote its range of wooden furniture products.

Within the total market, the renewed demand for conventional office furniture has now reached its peak, but the systems market is likely to grow by at least 15 per cent a year. Many observers feel that the main growth area is in free-standing systems, since open plan offices—and therefore panel-based systems—become less popular. The growth in small businesses has also led to smaller site or work areas, thus users are still looking for innovative, modern furniture to fit this particular market.

Britain's exports in office furniture (excluding seating) rose by 95 per cent in the five years to 1985—from £22.6m to £44m. Major export markets were the Middle East and Western Europe.

Reports indicate that the use of wood-based products has risen dramatically—up by 76 per cent in the four years to 1985.

Jeff Brown, marketing director of Arenson International (producers of the President furniture range) and former founder-chairman of the British Office Furniture Manufacturers' Group, sees 1986 as the year in which UK manufacturers are further strengthening their share of the home market.

"Two factors have been favourable," he says. "The continuing demand for real-wood work surfaces—a special manufacturing skill in the UK—and the rapid growth of the desk-based simple system."

The trend away from complex *panel systems, highlighted* by FIRA, "indicates that many UK office planners now recognise the need for people to work together more efficiently—the fewer physical barriers that exist bewteen employees, the better," adds Mr Brown.

Michael Wiltshire

Suppliers' growing confidence

CONTINUED FROM PAGE 1

The convergence of such areas as microcomputers, telecommunications, reprographics and other *areas of the information* technology business was evident to the 350,000 visitors who streamed into this year's CeBIT Fair — World Centre for Office, Data and Communications Technology — at Hanover.

The event attracted 2,000 exhibiting companies from 26 nations — and more than 100 British companies took part.

Apart from the computers, the most expensive item in most offices is usually the photocopier — and in this product area, as in most others in the office equipment field, innovation is the key word, with new models and features coming to the market place each week.

From the suppliers' viewpoint, versatility in copiers has become a major selling point—nearly half the copiers in the UK are able to reduce documents (48 per cent), while well over a third can make enlargements of originals (37 per cent), according to NBES, which also reports that colour *copiers are still "a comparative* rarity."

Meanwhile, the copier market awaits the outcome of the EEC's provisional dumping tariffs on Japanese producers — an issue discussed in detail on page two of this survey.

Among fast-growing categories of equipment, new-style facsimile (fax) machines are going through a boom period, with sales leaping by 48 per cent in the UK alone in 1984, says Mr G. P. Barua director of NBES, who forecasts an installed base of 110,000 fax machines in the UK by 1990. Worldwide terminals may already total 2m.

The old myth of the "paperless office" has disappeared with the increasing flow of paperwork from computers and copiers, with 50 per cent of medium to large companies now generating more paper than before.

Mr John Worlidge, chairman of Wiggins Teape, (with turnover in paper products now nearing £1bn) now points out that copying machines and the more advanced computer *printers* are now matching the image quality of modern printing processes — and, in turn, stimulating the demand for paper for thermal transfer and ink-jet printing, for example.

Next month, potential buyers in the overall office equipment market will be able to discover the latest offerings in computer-related furniture systems at Orgatechnik at Aachen — now established as the major European show for the office furnitur industry.

A reflection of the office equipment industry's buoyancy is seen by the early sell-out of exhibition space at the forthcoming London Business Equipment Show at Earls Court (October 21-24).

The European office furniture market will rise to $2.2bn in 1990, with customised "systems" furniture growing more rapidly than nearly everything else in the modern workstation, says a new Frost and Sullivan report.

In a review of national markets, the UK and France have tended to become repositories for West German and Italian furniture systems, claims the report. The cost of equipping a new employee's work area varies from $1,322 in Italy to $1,242 in West Germany to only $978 in the UK.

* *Oasis Report, Wharton Information Systems: tel. 01-940 7366; National Business Equipment Survey, 01-586 0403.*

The Wes-Group furniture system designed for senior management featuring the new integrated Conference II, the all-in-one work surface and conference table.

Office planners are spoiled for choice

FROM THE users' viewpoint, the office planner is faced with a bewildering range of choices in office furniture. Many suppliers now offer "a staggering array of options," comments John Derrick, editor of "What to Buy For Business."

Picking a good deal in desks is often a matter of crossing your fingers and hoping for the best, he says, "yet it's all too easy to end up spending a lot more money than you need."

The latest report examines the products of 45 mainline manufacturers and suppliers. Comments, mostly favourable, range from Abbess ("no-nonsense—good value") to Officekit ("stylish systems kit—the brainchild of Michael Carson") to Vickers ("good for mid-market systems-buyers.").

While price differences often reflect differences in quality, some desk systems are simply better value than others—if users like a range that seems priced over the odds, then the report offers a buyer's checklist which helps to indicate which desk is a better product or just overpriced. The questions to ask include:

Price levels

- What are the veneers like? Well-matched, with a quality finish or thin, without much sign of varnish?
- Are the edges rounded or only squared? Well-made round ones last longer and look smarter.
- Are the drawers PVC-coated chipboard or plywood? The latter is better.
- Are the drawers runner-mounted or not? Ones that are will open and shut more easily—and will not fall out if you extend them fully.
- Is there a metal frame which acts as a central structure for the desk? If there is not, it will be much less robust.
- How big are the pedestals (the support columns under the desk top)? Small ones will not give users much room for storage.
- Is the underneath of the workforce "finished" or is it just "raw" chipboard? The latter might not show, but it tends to be a tell-tale sign of cost-cutting manufacturing.
- How well designed is the cable-management system for keeping wires hidden from view? Is it just some cheap add-on or has the furniture efficient, integral cable facilities?

What to Buy For Business, London Office, Tel.: 01-730 0403.

M. W.